AGRICULTURE APPROPRIATION BILL, 1917
(COTTON-FUTURES AMENDMENT)

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-FOURTH CONGRESS
FIRST SESSION

ON

H. R. 12717

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF AGRICULTURE FOR THE FISCAL YEAR ENDING JUNE 30, 1917, AND FOR OTHER PURPOSES

MAY 17, 18, AND 19, 1916

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CONTENTS.

Statement of—	Page.
E. A. Calvin, manager Farmers' Union Cotton Co., Houston, Tex	5
Resumed	7, 114
A. W. Graham, United States attorney in charge of the enforcement of the cotton-futures act	23
Francis G. Caffey, Solicitor, Department of Agriculture	34
E. G. Glenny, of New Orleans Cotton Exchange, New Orleans, La	43
Charles J. Brand, Chief of Office of Markets and Rural Organization, Department of Agriculture	66
Col. J. S. Williams	108

AGRICULTURE APPROPRIATION BILL, 1917—COTTON-FUTURES AMENDMENT.

WEDNESDAY, MAY 17, 1916.

UNITED STATES SENATE,
COMMITTEE OF AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to call at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of South Carolina, Smith of Georgia, Sheppard, Shafroth, Ransdell, Thompson, Johnson of South Dakota, Gronna, Brady, and Wadsworth.

The committee proceeded to the consideration of H. R. 12717, an act making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1917, and for other purposes.

The CHAIRMAN. We will now take up the cotton-futures rider to the Agricultural bill. There are several gentlemen present, some representing the farmers' union and some representing the Department of Agriculture, and we are anxious to hear from all parties.

Senator SMITH of South Carolina. Mr. Chairman, I would like first to hear from the representatives of the farmers' union.

The CHAIRMAN. What gentleman in particular?

Senator SMITH of South Carolina. I would like to have Mr. Calvin address the committee.

The CHAIRMAN. Mr. Calvin, we should be glad to hear you. Please give your full name and address to the stenographer.

STATEMENT OF MR. E. A. CALVIN, MANAGER, FARMERS' UNION COTTON CO., HOUSTON, TEX.

Mr. CALVIN. My name is E. A. Calvin, and I have been in the cotton business most of the time for the last 8 or 10 years.

Senator SMITH of South Carolina. Now, Mr. Calvin, give your connection with the farmers' union.

Mr. CALVIN. I have been president of the farmers' union, national and State, and have been for a number of years manager of the Farmers' Union Cotton Co., a union institution.

Senator SMITH of South Carolina. In what State?

Mr. CALVIN. In Texas.

The CHAIRMAN. Let me state this, and it will perhaps facilitate Mr. Calvin's remarks: In October of 1914, what is known as the cotton-futures act became a law. It has since been held to be unconstitutional by a lower court in New York. I think the case is

now pending on appeal in the Supreme Court. The principle was that, imposing a tax, it ought to have originated in the House of Representatives instead of in the Senate. The general scheme is satisfactory to a great many interests, farmers and others. But section 11 in the former act has proven, I think, universally objectionable, it preventing hedging on the part of buyers in the United States on foreign markets, unless the foreign markets had adopted our standards and form of contract. That obliged all the dealers in cotton in the United States and buyers of spots to hedge on the exchanges in the United States, principally on the New York and New Orleans exchanges, of course. The theory is that during September, October, November, and December every year there are 3,000,000 more bales of cotton sold by the farmers than pass into the hands of manufacturers and spinners during those months. The 3,000,000 bales have to be carried by the cotton merchants or the cotton dealers. When they buy the spots they are obliged to hedge, according to the customs of the trade. Under this section 11, in the act passed two years ago, they have been obliged to sell futures in markets of the United States against the spots which they had bought and which they were carrying.

Senator SMITH of South Carolina. And which they expect to deliver abroad.

The CHAIRMAN. And which they expect to deliver abroad. It prevented them from selling futures or hedging contracts in the foreign markets. The theory is that, being obliged to sell all these futures on hedging contracts in American markets has loaded the American exchanges down. Liverpool is a practical hedging market any way. It is preferable to the American market, but they have been denied that privilege, because the Liverpool market would not adopt our standards and form of contracts prescribed in the act. The 3,000,000 bales which had to be carried by the cotton merchants or dealers had to be hedged against in American markets. That has thrown more hedging contracts on these exchanges than the market here could absorb. The consequence is that it has had a depressing effect on the price of cotton in the hands of dealers and in the hands of farmers in the United States.

I wanted thus to present the background. The bill pending before us on the table repeals that section 11 and it substitutes sections 11 and 11a. Section 11 in this act undertakes to permit American cotton dealers and merchants to sell hedging contracts in foreign markets, the natural place for them to sell, and hedge, under two circumstances: First, if they adopt our standard in forms of contract, or, second, they are permitted to sell contracts hedging against spot cotton, which they have bought here and which they intend to export, limiting the sales abroad to actual hedging contracts and eliminating speculative or gambling contracts. Section 11a prevents foreign concerns from selling or buying futures, either one, in American markets, unless exchanges in their own countries have adopted the standards prescribed by the department here and the form of contracts prescribed by the department.

That is the general situation that we are to consider. Mr. Calvin will address himself to those two points.

Mr. CALVIN. Thank you, Mr. Chairman.

I desire to also state that I am interested in farming, having some 400 or 500 acres of land myself and growing cotton.

I desire to say that what I shall state will be from a practical knowledge of the question, as I was practically raised in the cotton field. I know every phase of the business from planting to picking and marketing, from actual experience.

We were glad when the Smith-Lever bill was enacted into law, as to our minds it went a long way toward settling the question that for a number of years had been agitated both in and out of Congress. Our contention has been all along that in enacting legislation of this character the legislation should look toward providing for a contract that would be fair equally to buyer and seller. I believe that when Congress has done that, which it has largely done in this bill, the evils heretofore complained of are very largely met. I am aware of the fact, Mr. Chairman, that there has been a great deal of agitation in this country for the abolition of cotton exchanges altogether. I must say that I believe that those who advocate the abolition of cotton exchanges entirely are laboring under a misapprehension; that they do not understand the object and the purpose and the economic value of cotton exchanges in the marketing of one of the world's greatest crops.

I believe that the Smith-Lever bill, as stated before, goes a long ways toward alleviating the evils complained of; and I desire to say as I go along that if anyone should desire to ask a question I shall be pleased to answer it, as perhaps by asking questions and answering them we can arrive at conclusions more readily than by merely making a statement.

We object to sections 11 and 11a of the Smith-Lever bill, and I desire to read section 11 and section 11a.

(At this point a recess of 10 minutes was taken to permit members of the committee to attend upon the Senate.)

STATEMENT OF MR. E. A. CALVIN, MANAGER, FARMERS' UNION COTTON CO., HOUSTON, TEX.—Resumed.

The CHAIRMAN. I believe, Mr. Calvin, I will ask you to proceed.

Mr. CALVIN. Mr. Chairman and gentlemen of the committee, I desire to state, in connection with what I have said preliminarily, that I am here at the instance of the marketing committee of the Presidents' Association of the Farmers' Educational and Cooperative Union of America, although I am not a member of the committee myself; but I am here at their direction, and I desire to incorporate into the record, without reading, a resolution passed by that body.

The CHAIRMAN. That will be done.

(The resolutions submitted by Mr. Calvin are here printed in full, as follows:)

To the Senate and House of Representatives, Washington, D. C.:

Whereas when the cotton-futures act, known as the Smith-Lever bill, was passed, section 11 was injected for the expressed purpose of forcing all foreign countries to accept the American standard of grades by levying a toll of 2 cents per pound, or $10 per bale, for each transaction in hedging by American dealers in foreign cotton exchanges; and as now amended by the subcommittee it is proposed to levy the same toll on all transactions by foreign dealers in American cotton exchanges; and

Whereas, believing as we do that any and all tolls of whatsoever nature levied on such transactions, either on American or foreign dealers, is a burden directly borne by the cotton producers; and

Whereas if the American standard of grades, under such penalty, be adopted by foreign exchanges, the adoption would be without benefit to the producer and dearly purchased by the cotton raisers: Now, therefore, be it

Resolved, That we, the members of the Presidents' Association of the Farmers' Educational and Cooperative Union of America and members of the marketing committee of said organization, in convention assembled at New Orleans, La., this the 9th day of March, 1916, most respectfully urge that you immediately reenact into law the Smith-Lever bill, omitting section 11 and section 11a, thereby saving an untold amount to the producers of cotton.

Resolved further, That a copy of these resolutions be furnished to each Senator and Member of the Congress of the United States, and that copies be furnished to the press.

O. P. Ford, president and member of the marketing committee, Farmers' Union of Alabama, McFall, Ala.; J. L. Shepard, president and member of the marketing committee, Farmers' Union of Florida, Greensboro, Fla.; I. N. McCollister, president and member of the marketing committee, Farmers' Union of Louisiana, Many, La.; H. N. Pope, president and member of the marketing committee, Farmers' Union of Texas, Fort Worth, Tex.; O. W. Taylor, president and member of the marketing committee, Farmers' Union of Oklahoma, Roff, Okla.

Whereas the State of Alabama through its legislature in September last enacted a measure in favor of legitimate transactions in cotton-future contracts, which at the same time prohibited, under severe penalties, bucket shopping, which is gambling on the price of cotton, with no intention on part of the gamblers to either receive or deliver the cotton claimed to be called for; and

Whereas legitimate business on the exchanges in legal contracts is a help as a price insurance to the farmer in disposing of his products, while the bucket shop is a curse to the country, encouraging petty gambling by irresponsible parties: Now, therefore, be it

Resolved, That we, the members of the Presidents' Association of the Farmers' Educational and Cooperative Union of America and members of the marketing committee of said organization, in convention assembled at New Orleans, La., this the 9th day of March, 1916, most respectfully urge that every cotton State adopt a measure similar in form to the Alabama law.

Resolved further, That the attention be called to the fact that the Alabama law is an endorsement of the act of Congress known as the United States cotton futures act, which act is the result of years of study in the interest of the producers of cotton by the best brains and the ablest men representing the Southern States in both branches of Congress; further that its practical trial during the past year has demonstrated that (excepting section 11 which restricted business with foreign countries) it meets the needs of the cotton grower, eliminating evils which have heretofore been complained of.

Resolved, also, That the farmers of the South claim the right to dispose of their cotton either by future contract or otherwise as they may deem proper, and that they claim the right to buy or sell legitimate or legal future contracts at home or abroad whenever or wherever they may consider their best interests demands; further, that they are opposed to any law or laws that may in any manner restrict them in the free exercise of their judgment in reference to the handling of their business.

O. P. FORD,
President and Member of the Marketing Committee
Farmers Union of Alabama, McFall, Alabama.

J. L. SHEPARD,
President and Member of the Marketing Committee
Farmers Union of Florida, Greensboro, Florida.

I. N. MCCOLLISTER,
President and Member of the Marketing Committee
Farmers Union of Louisiana, Many, La.

H. N. POPE,
President and Member of the Marketing Committee
Farmers Union of Texas, Fort Worth, Texas.

O. W. TAYLOR,
President and Member of the Marketing Committee
Farmers Union of Oklahoma, Roff, Oklahoma.

Mr. CALVIN. I had gotten down to section 11's reading of the Smith-Lever Act, which I desire to read at this time [reading]:

That upon each order transmitted, or directed or authorized to be transmitted, by any person within the United States for the making of any contract of sale of cotton grown in the United States for future delivery in cases in which the contract of sale is or is to be made at, on, or in any exchange, board of trade, or similar institution or place of business in foreign country, there is hereby levied an excise tax at the rate of 2 cents for each pound of the cotton so ordered to be bought or sold under such contract.

It is the primary object, I take it, of that section, to undertake to compel foreign exchanges to adopt the form of contract provided by this law, and also to compel foreign exchanges to adopt the American standardization of cotton grades. Following that up, the Department of Agriculture sent representatives to Liverpool, to persuade the Liverpool cotton exchange or cotton exchanges in other foreign countries to adopt our ideas of cotton standards, as incorporated in this law, and I hold in my hand a report of these representatives, bulletin No. 7, I believe, which covers the work of the parties sent to Liverpool for that purpose, which I desire to read a part of, so as to get at the entire matter. After some delays and after much efforts on the part of our representatives, and it seems after many promises by various members and committees of the Liverpool Cotton Exchange to adopt our standards, and after many concessions, or several at least on our part, they at last decided that they did not want to adopt our standards under any circumstances. I will not read extensively. I desire to read a part of the report, on page 43 [reading]:

This report was considered by the board of managers on November 20. The same day President Roxburgh informed the representatives of the department that the special committee had unanimously indorsed the proposed official cotton standards of the United States and that the board of managers had formally approved them, but before the board would recommend them to the association for adoption they wished definite assurances on the following points:

1. Would Washington agree to let the world know that the proposed standard had been reached by agreement with Liverpool?

2. Would Washington agree that the proposed standard be called in Europe the Washington-Liverpool standard?

3. Would Liverpool retain the right to make and sell duplicates of the standard?

These questions were submitted by the following cable message to the Department of Agriculture:

"LIVERPOOL, *20th November, 1914.*

"BRAND, *Agriculture, Washington:*

"Special committee unanimously recommends standards. Board has approved standards, but before recommending adoption to association wishes it made clear that these standards have been made by agreement between Washington and Liverpool and are to be known in Europe as Washington-Liverpool standard. From time immemorial Liverpool standard has been universally recognized, and Liverpool is naturally proud of and jealous of reputation. Both Washington-Liverpool may issue standards as required. Board meets Wednesday.

"MEADOWS."

The following message was sent in reply:

"WASHINGTON, *21st November, 1914.*

"MEADOWS, *Liverpool:*

"Pleased standard acceptable as modified. Before world certainly Liverpool's original participation and great importance would establish her connection. Her right issue copies and adopt name recognized. No objection to standard known as Washington-Liverpool in Europe. Association will understand can not legally waive right to change standards, but alterations not contemplated and would not be made without joint consultation.

"HOUSTON."

The reply was delivered to President Roxburgh at his office on November 23.

On November 25 a committee from the board of managers, composed of Messrs. Roxburgh, Glazebrook, and Cooke, met with the representatives of the department to inform them of the action taken by the board. It was stated that the appeal committee had reported unanimously in favor of the proposed official cotton standards of the United States, that they had been unanimously approved by the special committee, had been twice approved by the board of managers, and, therefore, stood approved by the association. However, a consideration of the question of the adoption of the standards was deferred until March 1, 1915.

The representatives of the department called attention to the fact that the time for the establishment of the official cotton standards of the United States for grade, under the United States cotton futures act, was close at hand, and that the Liverpool Cotton Association had an opportunity to participate in their establishment. However, if the associaion deferred action until March 1, 1915, it would be too late to share in originating them. The following cable message was sent to the Department of Agriculture:

"LIVERPOOL, *November 25, 1914.*

"BRAND, *Agriculture, Washington:*

"Board unanimously approved standards, but further consideration advisability recommending adoption association deferred March first. Fear Washington arbitration. Amend authorizations. Awaiting instructions.

"MEADOWS."

The following reply was sent and was immediately communicated to President Roxburgh:

"WASHINGTON, D. C., *November 27, 1914.*

"MEADOWS, *Liverpool:*

"Express to President Roxburgh my hope reconsideration decision deferring action and if possible conclusion within fortnight. Act gives absolutely no authority arbitrate Liverpool business. Impossible under act designate American spot markets until standard established and actually used therein. Have deferred promulgation because desirous prior concurrence Liverpool and because ability designate Liverpool spot market. Great importance to cotton trade of America.

"HOUSTON,
"*Secretary Agriculture.*"

On November 27 the representatives of the Department of Agriculture were notified that 40 members of the association had petitioned the President for an open discussion of the question of standards, and that December 7 had been named as the earliest date under the rules for such meeting.

In the course of discussions with certain members it was suggested that one of the chief obstacles to the adoption of the new standards by the association was the fear that disagreements on shipments of cotton from the United States would be referred to Washington for adjudication. In answer, it was pointed out that the existing law in the United States did not authorize or require the submission of such arbitrations to Washington, and that, even if the law were changed so as to provide for such arbitrations contingent upon the use of the official standards, Liverpool would then be free to avoid the requirement by discontinuing their use.

The question of changing the Liverpool future contract for American cotton so as to conform to the provisions of section 5 of the United States cotton-futures act, and thereby exempt orders from the United States for such contracts from the tax imposed by the act, was considered at different times in interviews with the representatives of the department. It was pointed out that the adoption by Liverpool of the official cotton standards of the United States would be one of the most important steps in this direction. The advantages of a uniform contract on the Liverpool exchange and the American exchanges were urged. Some of the members of the association, however, expressed the opinion that with the prohibitory tax effective on orders from the United States for future contracts on the Liverpool exchange, the Liverpool merchants had an advantage over those in the United States.

I beg your pardon for reading so extensively, but I could hardly arrive at the conclusion or get it before the committee in any other way.

Now, gentlemen of the committee, I think there is no question but what some of the members of the Liverpool Cotton Association had the situation sized up properly. That section 11 gave them an advantage over the American cotton merchants, exporters, and cotton growers can not be questioned. I want to say to you, gentlemen, that it would be a difficult matter, indeed, to estimate at this time the losses to the American farmer during the time that this law has been in operation because of that one particular section. I shall not attempt to estimate it, because I, perhaps, could not put it before the committee in a way that would be convincing, and yet we know that the loss has been something terriffic.

It seems it is practically conceded that section 11, as originally written into the law, is not good. I think that will be conceded by Mr. Brand, of the Office of Markets and Rural Organization of the department.

Senator SMITH of Georgia. I think everybody must concede that with Liverpool planning to accept our standards the provision as originally written is bad.

Mr. CALVIN. Yes, sir; I think that is correct, Senator.

Senator SMITH of Georgia. And I think, furthermore, it can be conceded now that we have no prospect of Liverpool accepting our standards.

Mr. CALVIN. I think that that decision was final.

Senator SMITH of Georgia. I think that if they said it was not final it would be final; they would stand by it.

Mr. CALVIN. Senator, I think so, too. I do not think we have any more hopes of getting the Liverpool Cotton Association or cotton exchange to adopt our ideas of standards and rules and regulations than we have of getting them to adopt our idea of units of money or our weights and measures. I think that they figure that they have an advantage under the present situation and, figuring that way, will let the situation remain as it is.

Going on down the line, in section 11 we are attempting to amend the section as follows [reading]:

Provided further, That if at the time any such contract is entered into the Secretary of Agriculture, after investigation, shall have determined and, by declaration then unrevoked in the rules and regulations made pursuant to this act, shall have publicly announced that its terms are the substantial equivalent and sufficient to accomplish the purposes of the conditions specified in the fourth, fifth, and sixth subdivisions of section five of this act.

Now, we gather from this that we propose to say that their rules and regulations need not be identical with ours or that our rules and regulations need not be identical with theirs, that if the Secretary of Agriculture shall determine that they are approximately in accord with our rules and regulations and our form of contract, etc., then he shall permit parties from this side to trade with the same liberty that parties on the other side trade with us.

Senator SMITH of Georgia. Make the announcement, and the act permits them to trade?

Mr. CALVIN. Yes, sir. I am not willing, Mr. Chairman and Senators, to leave a great problem of this kind in the hands of any one man. I am not willing to make it contingent upon the decision of any one individual, because there might be a change in the administration at a very inconvenient time. The fact of the business is that

since I have been around Washington I have noticed that some of our citizens and officers think there is likely to be a change about the 4th of next March, while I find a very large contingent that thinks there will not be a change.

The CHAIRMAN. You find a difference of opinion on that point?

Mr. CALVIN. Some. [Laughter.]

As far as Secretary Houston is concerned, I do not know of a man anywhere for whom I have a higher personal regard. It was my privilege to be a member of the board of regents of the State University of Texas while Dr. Houston was president of that institution, and I came in contact with him frequently, and I want to tell you he is a very big man. But, notwithstanding the fact that I know him so well and would trust him under any and all conditions, I would not be willing to leave a matter of such vast magnitude in the hands of any one individual, because if he should decide in the middle of a cotton season that the foreign exchanges were not conforming to our rules and regulations and should make a change in the middle of a season, it is difficult to say or determine what the effect might be on the market, and before the matter could be corrected the southern people, the men who grow the cotton, might lose several millions of dollars—yes, and perhaps several hundred million dollars; we can not tell.

Senator GRONNA. You are taking the same position with reference to this act, Mr. Calvin, that I did with reference to the banking act. Pardon me for interrupting you.

Mr. CALVIN. I read further [reading]:

And provided further, That no tax shall be levied under this act on any order mentioned in this section if, first, such order and the contract made in pursuance thereof be solely for hedging the purchase or sale of spot cotton shipped, or to be shipped, from the United States to any foreign country, or the shipment or consignment for sale of spot cotton from the United States to any foreign country, whether such order or contract be the one given or made originally, or be subsequently given or made for a purchase or sale to be substituted, for hedging the purchase—

I will not read the balance of the section.

The object of this proviso is that in the event Liverpool does not conform to our ideas of standards and our ideas of contracts, that we may go ahead—that is, the cotton merchants and exporters in the United States—and consign, ship, sell, and otherwise dispose of cotton to Liverpool, and hedge their contracts without paying this tax; that is, if the transaction is purely and simply a hedging transaction.

Now, then, let us see about that: If we limit these transactions to hedging transactions pure and simple, then it stands to reason that perhaps 90 to 95 per cent of the transactions made by American merchants and exporters on the Liverpool or other foreign cotton exchanges will be sales of futures. We all have an idea about what selling does to a market and what buying does to a market. If we are limited entirely to hedging transactions in the Liverpool cotton exchange in the event she does not adopt our ideas of standards and form of contract, then it stands to reason that nearly all of our transactions on the Liverpool cotton exchange will be selling transactions pure and simple, because from the very nature of the case the cotton has been bought, Senator, on this side, and if it is hedged in the foreign markets, naturally we sell against it.

The foreign exchanges already have the hedging of a very large portion of the total crop. There is already placed through foreign exchanges for hedging purposes something like 18,000,000 bales of cotton, while in the United States we consume about six or seven millions, and it will be readily seen that very little more than that is hedged in our American markets. If we are going to limit our transactions in foreign markets in the event they do not adopt our ideas, we just simply load them down with hedging transactions on the selling side of the market. Besides that, it is a well-known fact, I think, and sound economically, that the surplus of a product largely controls the price. Our surplus goes to Great Britain and other foreign countries. Naturally when we buy and ship the cotton we are disposed to hedge it in the most convenient market, and naturally all these hedging transactions are thrown on the foreign cotton exchanges, when they have already taken care of 18,000,000 bales out of the total world's crop.

If this section 11 is eliminated entirely, then the dealer from this side will be in a position to buy or sell in Liverpool or in other foreign markets without any restrictions, at least without the restrictions imposed by this bill, and I am forced to believe, gentlemen of the committee, that this would bring about a very healthy condition. I am not disposed to go into a discussion of the object and purpose of hedging and of dealing in cotton futures. I take it for granted that the members of this committee understand that question, but for the benefit of anyone who does not, I want to say to you in all frankness that in order to understand what we are trying to accomplish you must understand the economic value of these transactions to the people who grow cotton. You can not arrive at a safe conclusion without understanding the real purposes of a cotton exchange.

We pass on to section 11a, which is an amendment. We say we have been placed to a disadvantage in this country, because of the operation of section 11, which no one is going to dispute, but we are going to try to remedy that evil by amending section 11 and also introducing another section, 11a. While section 11, as proposed to be amended, prohibits operators from this side from selling in foreign markets or carrying on transactions of any sort in foreign markets, unless the foreign markets have agreed to our ideas——

Senator SMITH of Georgia. Or unless they actually deliver the cotton?

Mr. CALVIN. I started to say that, Senator. Thank you.

Senator SMITH of Georgia. Could you stop a moment?

Mr. CALVIN. Yes, sir; I would be very glad to, Senator.

Senator SMITH of Georgia. I presume the real theory upon which that section 11 is now built is that if they must actually ship the cotton, if they sell abroad, it will encourage and perhaps produce larger foreign shipments and thereby relieve the domestic market from the presence of the cotton. I take it that the bill was drawn with a friendly purpose toward us.

Mr. CALVIN. I am perfectly willing to concede that.

Senator SMITH of Georgia. And that is the thought that is involved in that portion of the bill, that it will encourage and strengthen actual preparation for shipment and thereby relieve the American market.

The CHAIRMAN. Another thing, when the cotton exporters hedge in either American or Liverpool markets that loads the market here.

Senator SMITH of Georgia. I take it that that was the thought that was in there.

Mr. CALVIN. Yes, sir; but in so doing, Senator, it strikes me that we should not——

Senator SMITH of Georgia. I got your thought about it fully. You say if they simply sell there they will become sellers upon the market, and the effect of our transaction is calculated to be to depress the Liverpool market?

Mr. CALVIN. Just exactly.

Senator SMITH of Georgia. And as the Liverpool market reacts upon our market, if they are permitted to simply sell and not buy, we have created an influence calculated to lower the general average price on the exchanges?

Mr. CALVIN. Entirely correct; that is my idea entirely, Senator. We can say to our people on this side that you can only deal in cotton along certain lines if this section is amended as proposed, and certain other liberties are granted, but we must not overlook the fact that the man who lives in the foreign country who operates on the foreign cotton exchange is not governed by this act and can do as he pleases so long as he does his trading in foreign markets.

Senator SMITH of Georgia. Let me direct your attention to the further fact: It is understood that Rotterdam is ready to accept our standards, and that Berlin would if they had any business, but, of course, they have no business now.

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. But that is still a question of uncertainty. Liverpool was about to accept our standards in the early winter of 1914–15?

Mr. CALVIN. Yes, sir; and kicked the bucket over at the very latest moment, and when she had kicked it over she kicked it over very abruptly.

We propose now to say to the dealer in foreign countries——

Senator SMITH of Georgia. That is the foreign merchants in foreign countries?

Mr. CALVIN. Yes, sir—that "If you deal through American cotton exchanges we must have assurance that the cotton exchanges of your country, if there are any, have, to some extent, obeyed the rules and regulations as laid down in our law."

I do not understand just how that can be enforced. For instance, a broker in this country receives an order from some one living in a foreign country, I suppose he would not be authorized to execute that order, unless the country in which the sender lived, or the exchange of the country in which the sender lived had adopted our rules and regulations. Is that your understanding?

Mr. E. J. GLENNY. That is the law, as I understand it.

Mr. CALVIN. That is my understanding. I suppose in foreign countries, or in this country, you will find a great many merchants and dealers and cotton exporters who are not members of any exchange or any association of that kind. Then the dealer in the foreign country who might not be a member of an exchange would be debarred from having his orders executed in this country, unless the

exchange or association of that country had adopted our rules and regulations, or done so approximately.

Mr. GLENNY. Mr. Chairman, may I interrupt right there?

The CHAIRMAN. Yes.

Mr. GLENNY. It is stronger than that. As I read the law, if there is any exchange in any foreign country that has not adopted the American law, then no man in that country can use the American markets.

Senator SMITH of Georgia. He can not sell; it does not prevent him from buying?

Mr. GLENNY. If he sells he has got to buy back. This straddling the point, buying and selling, is not very material.

Senator SMITH of Georgia. I was just calling attention to the language. The language undertakes to reach a sale only on an American exchange.

Mr. GLENNY. But, Senator Smith, if he buys and ships my cotton——

Senator SMITH of Georgia. I am not discussing that; I am just saying what the bill says.

Mr. GLENNY. Yes, sir.

Senator SMITH of Georgia. Your argument is that the privilege of buying without the privilege of selling is useless, and I am calling your attention to the fact that the language of section 11a applied to selling on an American exchange, not to buying there.

Mr. FRANCIS G. CAFFEY. The use of the language "contract of sale" is final.

Senator SMITH of Georgia. Selling as well as buying. Then I am mistaken about that.

Mr. CALVIN. I can not see any reason for placing restrictions of this kind upon the handling of cotton. Of course, it is a fact—everybody knows we can not reach out and regulate cotton exchanges or anything else, so far as that matter goes, in foreign countries, except as we might persuade them to adopt our ideas. I do not know that there would be any real advantage if they should adopt our ideas, but there might be. I have not been able to determine that question for myself yet, but I do know that if we enact these proposed amendments into law, and she does refuse to comply, that we will be at a very great disadvantage. Even if she does comply with our terms and our conditions, we will soon be at a disadvantage, for the simple reason, as I said a while ago, that we are limited to hedging transactions, pure and simple, which means most of our transactions will be selling transactions on the Liverpool cotton exchange. So I can not see where the advantage would come in.

Then, there has been something said, and I have a report of some kind dealing with what are commonly called "straddles."

Senator SMITH of South Carolina. I am very much interested in this, as all the members of the committee know that I really was the man who first initiated any cotton-future legislation in the Senate of the United States, at least that resulted in this bill, the first ever passed in the history of the Senate, and I am very much interested in this, but I am also interested in the measure now up in the Senate. We are making an effort to give the farmer fertilizer, and I hope you will confine yourself to this section 11 and 11a until I get back.

Mr. CALVIN. Something was said about "straddling." Gentlemen, I can not quite agree with some people who seem to think that speculation is altogether bad for a market. I grant you that there are evils, and many evils, but I believe that without some speculation we would be in worse condition, so far as the market is concerned, than we are at the present time. As far as straddling goes, I can not conceive, to save my life, viewing the thing from an impartial and fair standpoint, why a person should not be permitted to buy where lowest and sell where highest.

Senator GRONNA. You mean by that that it would, to a certain extent, eliminate competition, and the buyer would take no risk whatever?

Mr. CALVIN. The object, Senator, of course, of future dealings, primarily, was to enable a person to transact business without assuming any material risk; that is the primary object of futures, it is an insurance.

As I said before, I can not see why a dealer should not be authorized to sell where it is the highest and buy where it is the cheapest. Outside of the fact that he seemingly would have a right to do that, it strikes me it would be wholesome and good, for the simple reason that it has a tendency to maintain the parity of the markets. If, for some reason an abnormal condition arises that has a tendency to force one market too low, force it out of proportion, so that there is no relativeness to other markets. The man who speculates buys where it is cheapest and sells where it is the highest. It has a tendency to bring the markets together and acts as a stabilizer, and I am bound to think from my study of the question for a number of years, that it is not bad.

Senator SMITH of Georgia. You are against any effort to abolish the exchange?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. You think that that is a mistaken view of cotton raisers?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. And, furthermore, is it not true that they began to see it, too; has there not been a growth of knowledge on that subject?

Mr. CALVIN. If you pointed to me and said, "Thou art the man," I would have to plead guilty.

The CHAIRMAN. There used to be a desire among the cotton growers to abolish the cotton exchanges?

Mr. CALVIN. I believe that was a zeal not according to knowledge.

Senator SMITH of Georgia. You knew something was there that was doing you an injustice?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. You had not, as a rule, mastered the evil?

Mr. CALVIN. No, sir.

Senator SMITH of Georgia. And realized that with the evil eliminated there was a good?

Mr. CALVIN. Just exactly.

Senator SMITH of Georgia. And you hit at the thing that was doing you a real injustice?

Mr. CALVIN. Just exactly.

Senator SMITH of Georgia. But that line of thought has passed away largely?

Mr. CALVIN. I believe entirely.

Senator SMITH of Georgia. With the real thinkers among the farmers and the masses of the farmers, even the small farmers, are they not beginning to comprehend the subject themselves?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. And really desire the retention of the exchange under the plan of this bill?

Mr. CALVIN. Just exactly, Senator.

The CHAIRMAN. Until a few years ago for a man to have told them that would have been dangerous?

Mr. CALVIN. It was not for me, Senator.

I will tell you a little personal history. I was one of the prime movers, together with the Hon. Albert Burleson and one or two others in Texas, that got behind this movement, even to run the warehouses out of the State, and we did the job all right.

Following that, I undertook to make a study of the question, and I did, Senator, for a number of years. I decided that the way to remedy things was not to lop the whole thing off, but to go after it and find where the evil lay.

Senator SMITH of Georgia. If you had a leak in the house, it would not be necessary to burn the house?

Mr. CALVIN. Just exactly. My conclusion was, shortly stated, if you please, that a cotton exchange is not bad for the country. On the other hand, a cotton exchange is good for the country, if the law compels the exchange to make and observe a contract that is absolutely fair between the buyer and the seller. That is the conclusion I came to in my research and study of the question, and I believe that this bill has practically solved the question. I do not know what you, Senator, may think of this proposition, but I was very much opposed to some of the practices of the New York Cotton Exchange, and some four or five years ago I went before the Committee on Agriculture in the House of Representatives and outlined my views as conclusively as I could on this question, and at that time I was fighting with all my might and main some of the practices of the New York Cotton Exchange—one of them was the method it had of making its differences, its revision committee had arbitrary——

Senator SMITH of Georgia. Arbitrary grades and arbitrary fixing of differences?

Mr. CALVIN. I was also fighting, at that time, the method of delivering in New York, which was detrimental to the buyer and in the interest of the seller, and I am glad to say, Senator, that Congress listened to the people who talked along that line, and did much talking themselves, which was all beneficial and educational in its nature, and finally there came out a bill which we feel practically meets conditions, but we do not feel that we ought to be hampered by any such conditions as provided by said section 11.

Senator SMITH of Georgia. Sections 11 and 11a out—do you like the balance of the bill?

Mr. CALVIN. Yes, sir; we like the balance of the bill. There may be some defects yet that will crop out. You see, it has only been in operation a little over a year.

Senator SMITH of Georgia. But you have not any suggestion or criticism on the balance of the bill at this time?

Mr. CALVIN. I have not, at this time.

Senator SMITH of Georgia. Of course, this section 11 was put in with the hope of doing substantial good?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. Your judgment and the judgment of a great many others has been that the foreign exchanges having declined to accede to our standards and our regulations and held out against us, it has been a serious handicap to the American cotton merchants?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. And thereby incidentally to the cotton producers?

Mr. CALVIN. Yes, sir.

Senator SMITH of Georgia. Because we are all in a common movement in many respects?

Mr. CALVIN. Just exactly.

Senator SMITH of Georgia. We can not discriminate against the rights of one unfairly without injuring the other.

Mr. CALVIN. Just exactly, Senator.

Mr. Chairman, you were speaking just now about a changed sentiment. I want to say, gentlemen of the committee, that within the last few months, to my knowledge, there has been passed several hundred resolutions by the farmers all over the land asking that these sections be eliminated entirely, and as Senator Smith and as Senator Gore have just said, there has been a general awakening along this line during the last few years, and I believe now you will find that the farmers as a whole are better informed on this question than any other one question before Congress to-day—the farmers who grow cotton. It became necessary to study this question, as they are studying other questions, and I believe that they have arrived at a correct solution, and I believe they are satisfied. I believe that 95 per cent of the farmers to-day favor cotton exchanges, but favor regulations so as to make all deals fair as between the buyer and the seller of contracts.

Gentlemen of the committee, unless you desire to ask questions I do not believe I care to make any further statement at this time.

The CHAIRMAN. You think that the law ought to be so adjusted that the dealers, cotton merchants, and exporters should have the right of unlimited sale from futures on foreign exchanges?

Mr. CALVIN. That will be the effect of cutting out sections 11 and 11a, and I think that will be far better than to undertake to restrict them to hedging transactions, when most of their hedging will be selling.

The CHAIRMAN. And also believe in the unlimited right of purchasing?

Mr. CALVIN. Yes.

Senator SMITH of Georgia. If we had the Bremen exchange and the Rotterdam exchange in full operation, absorbing about half of our European cotton shipments, it might be a different situation, but we have not got that now.

Mr. CALVIN. We have not got that.

The CHAIRMAN. The paramount trouble is that the exchanges of those countries are not under our jurisdiction. I want to say, Mr. Calvin, that it brings back to my mind a great many reminiscences. I made years ago many speeches in favor of the entire abolition of the cotton exchanges.

Mr. CALVIN. I heard one myself.

The CHAIRMAN. But after looking into it further, I came to the conclusion that exchanges served a very good purpose, that they stood between the dealers and consumers of raw materials, and they absorbed the risk between the dealers and the consumers, and that the risk had to be assumed by somebody, and that if these men who make a business of dealing on the exchange did not exist, all of the risk would be shipped back on the farmers. I went to speak before the Shawnee National Farmers' Union, where I took the position that they served a useful purpose; that while tainted with evil the evil ought to be lopped off. It took a great deal of courage at that time to go even so far, because I knew what the general sentiment was.

Senator SMITH of Georgia. As we are giving reminiscences, let me say that 10 years ago I addressed the Southern Cotton Growers' Association at Birmingham on the subject of the New York Cotton Exchange and its iniquities, and urged them not to undertake to go to the extreme of seeking to destroy the exchange, but to attack the unfair methods and bring about a legitimate contract; and I had the pleasure, on the Finance Committee, and Senator Gore joined me, three years ago to oppose the passage of a provision which was intended to destroy the exchange. Even three years ago it was agreed that the wise course was to bring about a fair contract.

Mr. CALVIN. Just exactly.

I will say, in conclusion, that there is entirely too much involved to make experiments of this kind. We have experimented something over a year with section 11, and we know that it has been disastrous. We do not understand why we should be called upon to experiment another year or two, especially while the war is going on in Europe, while conditions are so unsettled. There is no chance within the next two or three years to get foreign exchanges to grant our requests. If they do not do it, we are placed, in my judgment, at a decided disadvantage, and we are just now emerging from the calamity of 1914.

Senator SMITH of Georgia. Your observation is that under the present contract, with the deliveries within the Government standards and the settlement of market differences, that the situation is reached and reached fairly so as to protect the cotton grower?

Mr. CALVIN. Yes, sir; and while we are indulging in reminiscences I just want to say, speaking of cotton standards, that I had some hand in bringing about the passage of that law, of which I feel proud.

I introduced the resolution in 1906, at Dallas, Tex., at one of the biggest farmers' meetings we ever had, asking for the standardization of cotton grades. Mr. Burleson took an active interest in the matter, and in the back end of a bank at Lockhart, Tex., we practically outlined the bill that finally became a law, providing for cotton standards.

The CHAIRMAN. Did you find some opposition to that?

Mr. CALVIN. There was quite a lot of opposition. Practically all the cotton men were opposed to it at the beginning. I believe the New Orleans Cotton Exchange was the first exchange to adopt it.

Mr. GLENNY. It was the first exchange to adopt and live up to the United States Government standards. In fact, the exchange adopted them before they even knew what they were.

Mr. CALVIN. I have so understood.

Senator SMITH of Georgia. Let me ask you this one question: Will you explain why it is necessary to give some elasticity to grades of delivery? You do consider it necessary to have some elasticity of grades?

Senator SHEPPARD. I want to put this question: Did you not establish the first cotton school ever established in the country?

Mr. CALVIN. Yes, sir; I organized the first cotton school ever heard of in the world. Cotton men all told me then it was not practicable. Cotton schools have gone along pretty well since that time.

Senator SHEPPARD. I wanted to get that in the record.

Mr. CALVIN. I understand that every agricultural college in the South has had a course of cotton placed in its curriculum or regular course of study.

Senator GRONNA. Am I right in assuming that sections 11 and 11a seek to eliminate overselling?

Mr. CALVIN. They will eliminate selling or buying altogether on foreign exchanges except for hedging purposes, but I do not think that is the real purpose. As I have said during my remarks, I think section 11a was put into the bill primarily to force foreign exchanges to adopt our idea of grade and our form of contract.

Mr. GLENNY. As I remember it, three years ago sections 11 and 11a were put into the bill for a very good reason, one that made it absolutely essential that such a section should be put into the law, and that was to prevent an exchange in America from moving into Canada and operating in Canada in violation of the American law, and thereby nullifying that law. Now, then, that section, in my opinion, has outlived its usefulness, for the very good reason that the exchanges of America can to-day live under the law, not only live but live in a way that they are doing a material good to the biggest industry which the southern farmer has anything to do with, and the necessity for it has passed, as I do not believe that any exchange in America would have the temerity to move into Canada or elsewhere to avoid the American law; they do not want to avoid the American law.

The CHAIRMAN. Did the exchanges threaten to do that?

Mr. CALVIN. It was commonly said there would be a movement into Canada if this law went into force, and I think that Senator Smith of Georgia will verify my statement.

The CHAIRMAN. That was one of the reasons. I was a little afraid of it.

Mr. CALVIN. We had very good reasons, Senator Smith, I believe, to be afraid.

Senator GRONNA. You have been quite successful in standardizing cotton, I believe?

Mr. CALVIN. Yes; we feel we have accomplished a good deal along that line.

Senator GRONNA. And generally it is satisfactory to the farmers and growers of cotton?

Mr. CALVIN. Yes, sir.

Senator GRONNA. Would this law be beneficial without having first standardized cotton?

Mr. CALVIN. This law is based, of course, upon our American standards.

Senator GRONNA. Without first having accomplished standardization—having standard grades of cotton—would this law be of any benefit to the farmer?

Mr. CALVIN. It would have been a very difficult matter, Senator, to have passed a law compelling the proper kind of a contract, without having some recognized standard of grades.

Senator GRONNA. In other words, would not the farmers have to take the say-so of some particular person, and therefore be at the risk which you stated a few minutes ago?

Mr. CALVIN. Just exactly. There is no question in the world but what one of the main and good features of this bill is the fact that it forces the exchanges of this country to recognize our standards of grade and our form of contract, and I would be the last one to object to sections 11 and 11a if we could deal with foreign exchanges just as we deal with home exchanges, but that we can not do.

I thank the committee.

The CHAIRMAN. The committee will now adjourn until to-morrow morning at 10.30 o'clock.

(Whereupon the committee adjourned to meet Thursday, May 18, 1916, at 10.30 o'clock a. m.)

AGRICULTURE APPROPRIATION BILL, 1917—COTTON-FUTURES AMENDMENT.

THURSDAY, MAY 18, 1916.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10.30 o'clock a. m., pursuant to adjournment, Senator Thomas P. Gore presiding.

Present: Senators Thomas P. Gore (chairman), Smith of South Carolina, Smith of Georgia, Sheppard, Shafroth, Ransdell, Gronna, Norris, and Wadsworth.

The committee resumed consideration of H. R. 12717, an act making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1917, and for other purposes.

The CHAIRMAN. The committee will come to order. Mr. A. W. Graham is the first to be heard.

Senator SMITH of Georgia. What business are you now engaged in?

STATEMENT OF MR. A. W. GRAHAM, NEW YORK CITY.

Mr. GRAHAM. I am at present the United States cotton-futures attorney, with offices in New York City and New Orleans.

Senator SMITH of Georgia. What is the nature of your duties?

Mr. GRAHAM. I have under me two cotton-futures agents in New York and the same number in New Orleans. They have the supervision of this United States cotton-futures act and to see whether its provisions are being complied with by the members of the exchange, and also by other parties located in different parts of the Union and in regard to transmitting orders to be filled on foreign exchanges, and, incidental to that under the instruction of the Treasury Department, I have been engaged in procuring statistics as to the number of future contracts that have been dealt in on those two markets, New Orleans and New York Cotton Exchanges.

The act at first met with very serious opposition in New York. I might say that the majority of the members of the New York Cotton Exchange were at first opposed to it, but after a thorough trial of it I can now say that a large majority of the New York Cotton Exchange are in favor of every feature of the law, except that of section 11. I do not know but a few there that are in favor of section 11. The others, though, who were many of the most violent opponents of the law when first enacted are now strong advocates of it and now admit it has corrected many of the evils that formerly existed. In New Orleans there has been a spirit all the time of

hearty cooperation on the part of the members of the exchange with the Government in order to enforce this law. There has never, so I have been informed by the Department of Agriculture, been a dispute referred from the New Orleans Cotton Exchange to be settled by the Department of Agriculture. At first there were very many disputes in New York, especially I believe last May, June, and July, perhaps, referred, but now they have become very much less numerous than at first. Of course there have been some violations of section 11 that have been called to my attention and I have reported to the Treasury Department, and my instructions have been that at the proper time those cases would be attended to.

There is no disposition on the part of the gentlemen, the members of the exchange in New York, to antagonize this bill further than the three firms who are engaged in litigation against it. They have consistently refused to make any report or to permit the agents of the department to make the reports that are provided for in section 14 and also under the regulations formulated by the Department of Agriculture.

The CHAIRMAN. In order to get their names in the record, will you kindly name them?

Mr. GRAHAM. There are three firms, Hubbard Bros. & Co., Stephen M. Weld & Co., and A. B. Gwathmey & Co.

Senator SMITH of Georgia. Have you a copy of the rules prescribed by the Treasury Department?

Mr. GRAHAM. Yes, sir.

Senator SMITH of Georgia. Can you give them to the secretary and let us embody them in our hearing?

Mr. GRAHAM. I think I have them with me. If not I will file them.

Senator SMITH of Georgia. That will do if you will file them.

Mr. GRAHAM. Of course, under the direction of the department I have each month served formal notices on these gentlemen to comply with the law and with the regulations formulated by the Treasury Department. They have refused to do so. Of course evidence will be filed with the department for such action as they deem necessary.

Senator SMITH of Georgia. So far you have instituted no criminal proceedings against them?

Mr. GRAHAM. No, sir. I will state, though, that I recommended it to the Treasury Department and they recommended it to the Department of Justice, but the Department of Justice said that pending this litigation to have the act declared unconstitutional that they did not care to institute the proceeding, but instructed me to go on and procure all the evidence as to the violations.

Senator SMITH of Georgia. How have the regulations worked on the New York Cotton Exchange?

Mr. GRAHAM. Very well indeed, sir, and I have procured a great deal of data that is said by the Department of Agriculture to be of value to the Government and also to the cotton trade. Of course if the Treasury Department authorizes it, I shall be glad at any time to furnish the information to the committee in regard to it.

The CHAIRMAN. There has been a general acceptance of the governmental standards and grades, has there?

Mr. GRAHAM. Yes, sir; there is no complaint about that.

The CHAIRMAN. And that seems to give general satisfaction, does it?

Mr. GRAHAM. Yes, sir. A few firms there object to the provisions you gentlemen have in the law as to the length of staple. They say—that is, they think—you are confining that down much closer than ought to be done; but that objection is brought only by a few of the larger firms there, Mr. Chairman.

The CHAIRMAN. But there has been no serious difficulty in adjusting the trade or the business to those standards, has there?

Mr. GRAHAM. No, sir; none at all. Of course, it was a new law and its regulations were new, and our people are naturally conservative and do not want to have any governmental supervision of business, you know; and at first there was a good deal of difficulty in administering the law, but everything is working very well now.

The CHAIRMAN. Judge, what were the leading objections and specific objections as a whole to section 11? I mean section 11 as contained in the original act.

Mr. GRAHAM. The objection was that it did not permit the transmission of orders from the exchanges here to be filled upon the foreign exchanges, but did permit of orders to be transmitted from Europe to be filled upon our exchanges, therefore giving the advantage to the foreigner as against the American broker.

The CHAIRMAN. Has that objection been pretty general?

Mr. GRAHAM. Yes, sir; that objection has been quite general.

Senator SMITH of South Carolina. I should like to ask you this question, Judge: In the transaction of the future business on the New York Exchange, has there been any perceptible diminution in the number of contracts bought and sold on that exchange under this law as compared with the old régime?

Mr. GRAHAM. I think not, sir; I think that the statistics that I have will show that transactions have been just as large in proportion to the crops.

Senator SMITH of South Carolina. As before?

Mr. GRAHAM. Just as large as before.

Senator SMITH of South Carolina. The difference between this law and the old law is where tenders are made that such tenders—such substitute grades for the basis grade—shall be restricted to the standardized grade?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. There is no compulsion, however, to force in the settlement of a contract the actual delivery of the cotton?

Mr. GRAHAM. No; but they must deliver cotton of one of those grades.

Senator SMITH of South Carolina. In case they do deliver?

Mr. GRAHAM. Yes, sir; in case they do deliver.

Senator SMITH of South Carolina. But there is no compulsion to force either the buyer or the seller to deliver?

Mr. GRAHAM. Either one, you know, can demand——

Senator SMITH of South Carolina. I understand under the old law they could do that?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. But I mean to say that the transactions there are just as they used to be, except that they may not now tender such grades as the exchange sees fit at a fixed difference?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. That is your understanding of the fundamental difference between this law and the previous rules and regulations of the New York exchange?

Mr. GRAHAM. Well, Senator, they can not tender anything but the lowest grade prescribed by the Department of Agriculture.

Senator SMITH of South Carolina. I said that a moment ago.

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. I said the difference between the operation of this law and the old law was that in delivery on notice day, when the contract shall have terminated, that the party buying the cotton—I mean the party selling the cotton—if he notifies the buyer, or vice versa, that they want specific performance—that is, actual delivery of the cotton—they are restricted to the standard grades?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. And in case they may not agree as to the price of the substitute grade, then it is referred to the Secretary of Agriculture, and he consults five spot markets; that is your understanding of the operation of this law, is it not?

Mr. GRAHAM. Yes, sir; and then they have no arbitrary difference now.

The CHAIRMAN. No commercial differences?

Mr. GRAHAM. No, sir.

Senator SMITH of Georgia. Proceed, Judge, will you not, and explain that?

Senator SMITH of South Carolina. The thing he was bringing out was that under the old law there was a fixed difference lasting for a period of time under the rules of the exchange.

Mr. GRAHAM. Yes; six months, I believe, was the length of time prescribed.

Senator SMITH of South Carolina. Was it so long as six months?

Mr. GRAHAM. Twice a year, was it not?

Mr. GLENNY. No; they had three, and they were fixed within the season, as a rule the longest term was during the time the crop was not moving, which was proper, if you are going to have a system of fixed difference.

Senator SMITH of South Carolina. Under this provision you have no fixed difference, but you have substituted the commercial difference, so-called, for the fixed difference?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. And the protection, therefore, that the buyer gets under this, as contradistinguished to his lack of protection under the other, is that the seller may tender any grades standardized by the Government?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. And in case the buyer and seller do not agree as to the value, or other essential elements entering into a given grade, foreign matter, and all which determines its grade, that then an appeal is made to our established board of arbitration, namely, the Secretary of Agriculture?

Mr. GRAHAM. Yes, sir; that is correct.

Senator SMITH of South Carolina. I just wanted to bring that out.

Senator SMITH of Georgia. Does not the Department of Agriculture furnish the commercial differences between the different grades to purchaser and seller so they can settle by the commercial difference? What is the mode in which that work is done?

Mr. GRAHAM. Whenever a tender is made and it is objected that the cotton is not in accordance with the contract, the dispute is immediately referred to the Department of Agriculture and samples are taken and sent over here, submitted to the classifiers under the Chief of the Bureau of Markets, and without the name of either party being used, simply by numbers, the classifiers examine it, pass on it, and make their report to the chief of the office of markets, and he announces his decision.

Senator SMITH of South Carolina. You said when the grade was reported you referred it to the Agricultural Department and they referred it to those who would pass upon the grade?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. Now in case there is a dispute as to the value of the grade, how do you arrive at the value? Suppose the parties concerned in the contract disagreed after the price, once you established the grade, then what?

Mr. GRAHAM. I would say in regard to that that Mr. Brand, who handles that matter entirely, is here and can give you gentlemen so much more illuminating information in regard to that than I would be able to, that I would ask you to refer that part of the examination to him.

Senator SMITH of South Carolina. I should be glad to do so.

Mr. GRAHAM. Yes; because that does not come under my jurisdiction at all.

Senator SMITH of Georgia. The question then of fixing the market value of the particular grade does not fall under your jurisdiction?

Mr. GRAHAM. No, sir; I have nothing to do with it.

The CHAIRMAN. You have the legal administration?

Mr. GRAHAM. Yes, sir; I have the legal administration of that.

Senator SMITH of Georgia. I will ask you this: Have you had any complaints from buyers that they can not get a square deal when they call for the cotton under this bill?

Mr. GRAHAM. No, sir; I have not.

I will say further that it has been necessary for me, in order to ascertain conditions existing all over the South, to send out these cotton future agents to different localities. They have been in Texas, Arkansas, South Carolina, Georgia, Alabama, and, in fact, the whole cotton district of the country has been covered by these agents, and the universal sentiment is one of approval of this act. Many of the actual cotton merchants ask that section 11 be retained exactly as it is. The majority favor, so far as I can ascertain, that section 11 be eliminated, but just while I am speaking in regard to that I will say that upon examination, both by correspondence and by sending these men out, I tried to ascertain where the objection to section 11 originated, and I am firmly convinced that the origin of the objection to section 11 is in the few large exchanges, that of New Orleans and of New York. I have in my possession letters that were sent from the New York Exchange to different customers and correspondents throughout the South asking them to have local exchanges and their

individual cotton merchants write letters to their Members of Congress asking them to eliminate section 11.

So I think the great bulk of the objection to section 11 comes from the gentlemen in the cotton exchanges. Of course they have more reason for it than others because they deal more with that section than other people.

The CHAIRMAN. I should like to have you state the complaints that the exchanges have against section 11. In what regard do they complain?

Mr. GRAHAM. I suppose you gentlemen are all familiar with the old section 11?

The CHAIRMAN. That is the one we are discussing now?

Mr. GRAHAM. Yes, sir; and then with the amendment that was substituted to this new bill. In the old bill, as I said, their complaint was that it permitted the foreigner to deal on this market, transmitting his orders to be filled on the New Orleans or New York Cotton Exchange and did not permit our domestic brokers to transmit orders to be filled upon the foreign exchanges, thereby, as they felt, giving an advantage to the foreigner over our own brokers.

Senator SMITH of South Carolina. Is not that the truth?

Mr. GRAHAM. Well, Senator, I suppose if it had been carried out to its legitimate conclusion it would have been true. I have endeavored to ascertain whether the Englishman or the foreigner availed himself of any such supposed advantage, and I have not been able to secure evidence to show that it has been availed of to any extent.

Senator SMITH of South Carolina. But he could have done it if he wanted to?

Mr. GRAHAM. That is the theory of these opponents of section 11.

Senator SMITH of South Carolina. I notice in Current Market Report during the last few previous months that middling cotton is quoted in Liverpool around 17 cents a pound, while the same cotton on this side was quoted around 11 to 12 cents a pound.

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. Let us take the difference, then, of $25 a bale, or say even $20 a bale, as the difference between Liverpool and this country. We all know that on account of the war conditions that marine insurance and freight rates have advanced rapidly. But is it not a fact that in spite of that had it not been for section 11 an American dealer could have hedged in Liverpool to the benefit of this market if that $10 a bale restriction had been removed, for the reason that he was restricted entirely to his hedging processes in this country?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. Now, whenever I sell to a broker 1,000 bales of spot cotton which he has no place for right at that time, but purchases the cotton, he sells in New York or New Orleans, as the case may be, and hedges against that purchase, against the day of his disposal of the spot cotton?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. There is no market notice, the transaction of the purchase of the 1,000 bales of spots, but there is a record on the exchanges of the bale. A sale is a bear argument. If he purchase could be recorded there, it would be a bull argument. But the sale of these hedges of the American market necessarily tends

to depress the market, whereas if those sales could have been consummated in Europe at a price that the $10 prohibited, if you give us $10 margin, that is 2 cents a pound as the bill provides. Now, if you remove that, we would have a margin of 2 cents to do business over there, regardless of your freight rate and insurance rate?

Mr. GRAHAM. No; Senator, I will call your attention to Service and Regulatory Announcement No. 9, of the Department of Agriculture, in which you will find a very illuminating and interesting discussion of that matter, and it will answer those very questions which you have asked and about which you seem to be troubled, the difference between the Liverpool market and our home markets. And you will see that the cost of transportation, the freight and the increased insurance, the war risk and the difference in exchange and all that will account for this wide difference between the two markets. The whole thing is set forth there in such a clear way that it would be folly for me to undertake to add anything to it.

Senator SMITH of South Carolina. Do you believe that those encumbrances are so great as to eliminate any effect of the $10 tax to a foreign hedge?

Mr. GRAHAM. I think so, if I understand your question.

Senator SMITH of South Carolina. I mean this: Whether or not the $10 a bale prohibitory tax or regulatory tax on a hedge from American abroad if it was removed under present conditions it would not have any effect in view of the premium on it of foreign exchange and the high insurance rates and the high freight rates?

Mr. GRAHAM. No, sir; I do not believe it would have any appreciable difference, because the difference is so completely accounted for by these items that are set forth in Regulatory Announcement No. 9, that you would show that the prohibitive tax could not have entered into this great divergence between the two markets.

The CHAIRMAN. Is it your theory that no matter where sold the hedge must ultimately react on the price of cotton here? That is, it is a bearing influence, of course, if you sell it in Liverpool that reacts on the New York market and the New York market reacts on the crop. I do not know whether that is true or not, but I assume that to some extent.

Mr. GRAHAM. Mr. Caffey or Mr. Brand can answer that question. Those matters do not come under the administrative feature, and my attention has never been directed to that part of it.

The CHAIRMAN. I should like to get your judgment as to the advisability of retaining, repealing, or revising old section 11, if you have an opinion you care to express.

Mr. GRAHAM. I believe, sir, the amendments which have been suggested by you gentlemen to section 11 will meet all legitimate objections to section 11.

The CHAIRMAN. Will you distinctly state the changes in new section 11 and section 11a as contrasted with old section 11?

Senator SMITH of South Carolina. Just before you start that may I ask one question?

The CHAIRMAN. Yes, sir.

Senator SMITH of South Carolina. Section 11A is the real meat of the thing; that is, you put the same tax on the European who wants to hedge here as you put on the American who wants to hedge in Europe?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. You are curing one evil by making two?

Mr. GRAHAM. I do not consider that an evil.

The CHAIRMAN. It is the other side of the shield, it reverses the operation and makes it work both ways.

Mr. GRAHAM. Yes, sir. I believe you have a copy of the new bill, have you not, Senator Smith?

Senator SMITH of Georgia. Yes, sir.

Mr. GRAHAM. The first amendment to section 11 is found on page 86 of your record and, after setting forth the old section, then they put in the second proviso which begins on line 11, as follows:

Provided further, That if at the time any such contract is entered into the Secretary of Agriculture, after investigation, shall have determined and, by declaration then unrevoked, in the rules and regulations made pursuant to this act, shall have publicly announced that its terms are the substantial equivalent, and sufficient to accomplish the purposes, of the conditions specified in the fourth, fifth, and sixth subdivisions of section five of this act, and the rules and regulations relating thereto, such contract shall be deemed, for the purposes of this section, to comply with the said conditions.

That gives the Secretary of Agriculture a very large latitude, and from the character of the men who have always occupied that position, and who will probably occupy it in the years to come, I do not think there would be any harm in trusting that much to the discretion of such a high officer.

The CHAIRMAN. The burden of that is to make a substantial compliance?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. A sufficient compliance, instead of requiring an absolute compliance.

Mr. GRAHAM. Yes, sir; the discretion must be lodged with somebody to make a decision.

Senator SMITH of South Carolina. In other words, in section 11 you have the broker to comply in his hedges abroad in the same manner as he does in the sale here?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. And then, in section 11a, you attempt to have the European comply with the same restrictions you throw around the American by restricting him to the grade?

Mr. GRAHAM. Yes, sir. Now, the second proviso, beginning with line 21, is as follows [reading]:

And provided further, That no tax shall be levied under this act on any order mentioned in this section if, first, such order and the contract made in pursuance thereof be solely for hedging the purchase or sale of spot cotton shipped, or to be shipped, from the United States to any foreign country, or the shipment or consignment for sale of spot cotton from the United States to any foreign country, whether such order or contract be the one given or made originally, or be subsequently given or made for a purchase or sale to be substituted, for hedging the purchase, sale, or shipment or consignment for sale, of spot cotton, or be for the liquidation of any such transaction, and, second, a report of such transaction, including the shipment of the cotton involved to be made to the Secretary of the Treasury at such time or times and in such form as he may require.

That permits any party who desires to export cotton abroad to transmit his orders, either when he first makes the contract or to wait until the actual shipment. You will notice it says, "For cotton shipped or to be shipped," and in order to keep a record as to whether

that is a bona fide transaction or an attempt to evade the law it is required that the exporter shall make a report to the Secretary of the Treasury at the time the order is given; then, when the cotton is actually shipped, he must make a definite report showing the cotton was shipped in accordance with that order that was transmitted theretofore, and in that way a record will be kept to see whether it is a bona fide transaction or whether they are simply attempting to evade the law.

Senator SMITH of South Carolina. So that in the relation of the difference between the domestic dealer, as brought out by you a moment ago, as contrasted with the old rules and regulations under which cotton was bought and sold in relation to our foreign transactions, you restrict them to bona fide transactions?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. That is the characteristic between domestic rules and regulations and the rules and regulations provided for foreign dealers.

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. I want to get at this. The purpose of that is, he is to authorize American cotton exporters to sell cotton in Liverpool and other foreign exchanges for the purpose of hedging against spots bought here for the purpose of being shipped abroad.

Mr. GRAHAM. That is correct.

The CHAIRMAN. It is your idea that will relieve the American exchanges of the excessive sales of futures from hedging contracts?

Mr. GRAHAM. That is thought by the actual cotton merchants and exporters to be all that would be necessary to protect them. Now, there is a class of our citizens who are engaged in what you gentlemen have heard technically termed "straddling." They object to that.

The CHAIRMAN. They object to the limitation to spots.

Mr. GRAHAM. Yes; they object to the limitation to spots; they say they do not think any restrictions should be thrown around them at all.

The CHAIRMAN. Would the absolute repeal of old section 11 and the failure to enact new section 11 permit straddling contracts?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. And that would permit unlimited speculation or gambling, as it is sometimes characterized, to go forward on foreign exchanges?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. So far as the people are concerned?

Mr. GRAHAM. Yes, sir; there would be no restriction at all.

Senator SMITH of South Carolina. You make that as an unqualified statement, do you, that if section 11 and section 11a be stricken from the bill that, so far as our dealings with foreign countries are concerned, you reestablish the old order that preceded the enactment of this law?

Mr. GRAHAM. Yes, sir; there would be no restrictions upon it whatever if you strike out those two sections.

Senator SMITH of South Carolina. I want to ask you just this question, and then I will not go any further with this right at this time. Under the laws governing the sale and delivery of cotton under future transactions here you are restricted to the Government's standard in delivery?

Mr. GRAHAM. Yes, sir.

Senator SMITH of South Carolina. It would not apply to a foreign buyer as well as a domestic were he to buy here?

Mr. GRAHAM. Oh, yes.

Senator SMITH of South Carolina. Then, why restrict him more than you would an American when he is coming to buy our cotton?

Mr. GRAHAM. Senator, excuse me, but I do not exactly get your idea.

Senator SMITH of South Carolina. I say, if you strike out sections 11 and 11a and he comes to this country to buy cotton, he would have to buy it under the rules and regulations because an American would have to sell it to him?

Mr. GRAHAM. Surely, of course.

Senator SMITH of South Carolina. That is all.

Mr. CALVIN. May I ask him a question?

The CHAIRMAN. You may.

Mr. CALVIN. Under the present law operations on cotton exchanges are restricted to actual hedging?

Mr. GRAHAM. Under the present law?

Mr. CALVIN. Yes.

Mr. GRAHAM. No, sir.

Mr. CALVIN. Why, then, should we restrict the operations on foreign exchange to actual hedging?

Mr. GRAHAM. That is a matter, I say, I am concerned simply with the law and the reason the Government advocates those positions.

The CHAIRMAN. Could you file with the committee the letters you spoke of?

Mr. GRAHAM. I think I have them in my office in New York, sir.

The CHAIRMAN. Will you furnish us copies of them?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. Have you seen any other evidences of activity on that or any other exchange looking to repeal old section 11?

Mr. GRAHAM. I have letters from the agent in charge of the office in New Orleans stating that the gentlemen in New Orleans have been active in trying to create an influence to secure the repeal of section 11.

The CHAIRMAN. Have you seen evidences of this in any considerable force or connection from any other quarters than from the exchanges?

Mr. GRAHAM. No, sir. The letters that I have received throughout the South, nearly all of them have expressed the wish that the section should be repealed, and then in carrying on any correspondence with them, most of them admit that they have received letters from their correspondents in New York or New Orleans asking them to use their influence to have section 11 repealed.

Mr. CALVIN. That is your correspondence with the cotton men?

Mr. GRAHAM. Yes, sir; my correspondence with the cotton men.

The CHAIRMAN. Are there any further questions on the part of any Senator?

Mr. GLENNY. May I ask a question in that connection?

The CHAIRMAN. Yes.

Mr. GLENNY. Did you ever see the resolutions of the Memphis exchange, Judge Graham?

Mr. GRAHAM. I do not recall.

Mr. GLENNY. And the Augusta exchange, and of several other cotton exchanges in the South?

Mr. GRAHAM. I have seen the Savannah exchange, and I think I have seen the Augusta, but I would not say positively.

Mr. GLENNY. Because the Memphis Cotton Exchange and the Augusta and Savannah Cotton exchanges asked the board of directors of the New Orleans Cotton Exchange to pass resolutions to eliminate sections 11 and 11a, and I think all of the southern exchanges, except probably Houston, and they asked New Orleans to do it, and the board of directors never took action on it.

Senator SHEPPARD. I received requests from the officers of the farmers' union to use my efforts to have these sections repealed. I never received any requests from cotton exchanges. There is an organization of presidents of State farmers' unions, is there not?

Mr. GRAHAM. Yes, sir.

Senator SHEPPARD. Mr. McCollister is president of it?

Mr. GRAHAM. Yes, sir; five or six, Senator.

Senator SHEPPARD. Who is president?

Mr. GRAHAM. Mr. Pope is president of it. All my communications came from them—from the affiliated farmers' union.

The CHAIRMAN. Were they in New Orleans when they took action, Senator Sheppard?

Senator SHEPPARD. I believe they were. Can you throw any light on that proposition, Mr. Graham?

Mr. GRAHAM. Only from a letter that I have, Senator. I should not like to attempt to repeat it unless I had the letter present. I have a letter from an agent in charge there as to the activity of some of our friends in the cotton exchange inducing the farmers' union to take action.

Senator SHEPPARD. That letter ought to be put in the record, Mr. Chairman.

Mr. GRAHAM. Yes, sir; I may have a copy of that at the department.

The CHAIRMAN. I think it should, Senator.

Mr. GRAHAM. I will endeavor to get it.

The CHAIRMAN. I asked that question because it has been suggested to me yesterday that there has been a good deal of cooperation between them, and I wanted to get the facts.

Senator RANSDELL. I want to state that the only communication I had was with the farmers' union.

The CHAIRMAN. Not in your own State?

Senator RANSDELL. No, sir. And Senator Hoke Smith and I talked the matter over a time or two, and he said as New Orleans was a big cotton exchange he was going to telegraph down there and have representatives of both sides. I talked with Mr. McCollister. I said I should like to have the exchange represented, too, and I telegraphed to Mr. Glenny, and he came up on my telegram. I wanted both sides represented here.

The CHAIRMAN. You do not find but one side?

Senator RANSDELL. They are almost, as far as I can see, absolutely agreed.

Senator NORRIS. What are they agreed on? That sections 11 and 11a ought to be eliminated?

The CHAIRMAN. Yes, sir.

Senator NORRIS. And the farmers' unions agreed to that?

The CHAIRMAN. Yes, sir. If you have any other information on the subject, of course we shall be glad to have it.

We have here Mr. Francis G. Caffey, of the Agriculture Department. The committee will be glad to hear from Mr. Caffey.

STATEMENT OF MR. FRANCIS G. CAFFEY, SOLICITOR DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

The CHAIRMAN. We have under consideration, you know, the cotton-futures rider to the appropriation bill.

Mr. CAFFEY. Yes, sir.

The CHAIRMAN. I suppose you had considerable to do with the preparation of the original act and perhaps with the preparation of these substitutes. We shall be glad to hear you on the old section 11, as to the advisability of retaining, repealing, or revising it, and as to the advisability of adopting these substitutes particularly, if you deem it advisable. After that we will discuss it in detail.

Mr. CAFFEY. Section 11 of the statute, as originally enacted, put the same practically prohibitive tax on orders sent abroad, for execution on foreign exchanges, for purchases or sales of cotton for future delivery, that was put by section 3 on contracts made on our domestic exchanges, unless they conform to the exemption provisions of the act carried by sections 5 and 10.

Now, section 11, as originally enacted, contained a proviso which was, in substance, that these orders sent for execution upon foreign exchanges should also be exempt from the tax if the contracts on the foreign exchanges made pursuant to the orders complied with the provisions of section 10, or if they complied with certain specified subdivisions of section 5.

Section 5 of the act deals with the ordinary form of transactions upon exchanges—basis contracts. Among the provisions of section 5 was a certain subdivision 7, which provided for the reference to the Secretary of Agriculture of disputes with respect to grades, if they arose between brokers on the exchanges. That was not included among the subdivisions which the foreign exchanges were required by section 11 to incorporate in their contracts in order that the orders that went from this country for execution on foreign exchanges should be exempt, the idea being that it would be impracticable for brokers upon foreign exchanges to refer disputes as to grade to the Secretary of Agriculture in this country. I believe the facts brought out further were that, with respect to that particular phase of disputes between brokers, there had been no considerable evil on the principal foreign exchanges.

Mr. Brand, on whom I suppose you will call later, will give you the facts as to the negotiations abroad in reference to foreign exchanges complying with the act. These have been with the Liverpool exchange, with the Bremen exchange, with the Havre exchange, with respect to adopting the American standards and adopting the exempt form of contract. Those negotiations have not been successful in Liverpool, Havre, or Bremen; but I will not go into all the detail of that. I will add, however, that there is a new exchange which has been formed during the progress of the war at Rotterdam, and it would be quite interesting, I think, to get the facts as to the progress there.

The idea, when the act was framed with respect to the requirement, for the putting in of this section, was in part stated by Mr. Glenny yesterday. There were at the time three reasons assigned for the incorporation in the act of section 11 in that form.

The first was that it was essential to make a completed scheme in order to prevent evasions of the act by American exchanges, not that the New Orleans or the New York exchange would remove itself physically to Canada, but that there might be set up in Canada an exchange on which the formal part of the contract might be entered into, and therefore the contract being a foreign contract would not be subject to the law; thereby the members of our domestic exchanges could evade the purposes of the statute. That was one reason assigned for the incorporation of section 11; that is to say, to prevent the setting up in Canada, across the line, of a simulated or fake exchange, as it was put in the talk at the time.

Another reason entered into the discussion at that time. In the hearings before Congress the representative of the New York exchange argued strenuously, in substance—it is all in the record, as I recall it—that unless there were a provision somewhat along the line of a requirement that foreign exchanges follow the same contract that the American exchanges did, the law would result in the transfer to foreign exchanges of a good deal of future business that legitimately belonged to the American exchanges. It was represented to the committee by some that the old form of contract was more advantageous than the new form prescribed by the statute as a condition for exemption from the tax; that hence if the foreign exchanges retained the old form they would draw business away from the American exchanges.

The third reason that was assigned was this: There were pending in Congress two bills, one affecting standardization of cotton, dealing with spot cotton, and the other dealing with futures. The spot cotton, or so-called cotton standards, bill is still pending; it has never been acted upon by Congress, although I believe it was introduced before the futures bill. That was somewhat along the line of the grain-grades bill, now pending before this committee; adapted of course to conditions as they affect cotton, which are considerably different from those that affect grain. The general theory of the bill was that it would compel the use of American standards in the conduct of interstate and foreign commerce.

Logically, the enactment of the cotton standards bill, with respect to our commerce in spot cotton, should have preceded the enactment of a futures bill, as it occurred to me; but, as I stated, the standards bill has never been acted upon.

The third purpose of the incorporation of section 11 here was, by its operation, in connection with the cotton standards bill, which would apply to actual spot transactions in foreign commerce, to bring about the use of the same standard in future transactions in foreign commerce and in spot transactions in foreign commerce.

So much for section 11 as it originally stood.

Now as to these changes. There have been added to section 11 two provisos, and the present bill includes section 11A, which is entirely new, was not in the old bill.

The reports of the agents of the Department of Agriculture who, after the passage of the cotton-futures act in August, 1914, were sent

over to the foreign countries were substantially to this effect: That with respect to the requirements of section 5 of the act prescribing conditions which, if inserted in a contract, would render it exempt from the tax, the first three, as I recall it, raised no difficulty for the exchanges, were unobjectionable to the exchanges. The seventh was not included as a condition to be complied with in order to exempt from the tax orders sent abroad. That left only the fourth, fifth, and sixth subdivisions. There were some details included in the fourth, fifth, and sixth subdivisions of section 5 as conditions for exemption which were different from the contracts abroad, but which in substance were already complied with by the exchanges over there; there was no substantial ground for complaint if they continued to use these same practices, or those practices with some slight, immaterial amendments which they would probably be willing to make. Then their contracts would be entirely in harmony with section 5 of the act if they were to adopt the American standard. That left only the one thing of standard.

The purpose of this first added proviso to section 11, which is the second proviso here, on page 86 of the bill, lines 11 to 21, was to enable the Secretary of Agriculture not, as has been said here in argument, to exercise discretion, but to ascertain a fact, and that was whether or not, with respect to any foreign cotton exchange, its contracts substantially conformed to the fourth, fifth, and sixth subdivisions of section 5, and accomplished the same purpose. It is expressed there that the Secretary shall have declared this fact ascertained by him in his rules and regulations. That was merely for the purpose of having a place where everybody would know he would find the declaration by the Secretary; that he had made this finding of fact and that the exchange had not departed from it. So the provision reads, in substance, that, so far as concerns those specific subdivisions—the fourth, fifth, and sixth (which were the only ones which, if there were an adoption of the standard, constituted any real obstacle to the exchanges abroad conforming to section 5)—the Secretary of Agriculture is authorized to make a finding of fact, after examining the contracts upon the exchanges, as to whether they substantially conform and accomplish the same purposes. If the Secretary made a favorable finding and the standards were adopted you could thereafter trade freely upon those exchanges.

Then the great primary purpose of section 11, and the great primary purpose of that part of the cotton-standards bill that affects foreign commerce, would be accomplished; that is, there would be uniformity of standards, so far as concerns the trading in American cotton, the world over.

The third proviso of section 11, beginning at line 21 on page 86 and running to line 12 on page 87, was this: That presupposes that none of the exchanges abroad adopt the standards or adopt the contract. Then this third proviso here, the one I have just directed your attention to, even in that contingency, would permit, so far as concerns actually exported cotton, the execution of hedges against it on foreign exchanges upon orders sent from this country without the payment of a tax. Our American merchants, that is, the exporters, represented that they were handicapped in the actual export of cotton by the inconvenience of being unable, under conditions frequently occur-

ring, to hedge their exportations in the market nearest the place to which the cotton was to be shipped.

Senator SMITH of Georgia. The place of delivery?

Mr. CAFFEY. Yes; the place of delivery. Now, I think it was also represented that if they could hedge on any single exchange over there in Europe, substantially it would meet their requirements. I want to call your attention in a moment to that phase of the matter in connection with this new Rotterdam exchange.

I will repeat here that if this third proviso were enacted, even though the exchanges abroad did not adopt the American standards and did not adopt the exempt contract provided by this statute, so far as concerns exporters there could be free hedging against actual exports on any foreign exchange.

Senator NORRIS. May I ask a question there?

Mr. CAFFEY. Yes, sir.

Senator NORRIS. Assuming that all the foreign exchanges did adopt American contract, then this last proviso that you have called our attention to would be of no effect whatever?

Mr. CAFFEY. It would be entirely useless; yes, sir.

The CHAIRMAN. Then they could buy or sell, either one, on spots?

Mr. CAFFEY. Yes; in hedging, of course, every transaction on the exchange involves both a sale and a purchase; at the same time one broker purchases the other sells.

Up to this time section 11 has prevented hedging on the Liverpool exchange. It does not yet really affect the Bremen exchange, from which we are cut off by the war. Mr. Brand or Mr. Meadows will give you the facts as to the conditions on the several foreign exchanges. Mr. Meadows is one of the agents of the department who went abroad and visited Liverpool, Bremen, and Havre after the enactment of the statute in August, 1914, and prior to its going into effect in February, 1915.

As I have said, our American merchants, the exporters, represented, as I understand it, that if they could hedge over there on any one of those exchanges it would substantially accomplish their purposes of being able to hedge in a market which adequately reflects the conditions in the locality in which they are selling the spot cotton. It would follow, if they are correct, that if the Rotterdam exchange gets into full operation in conformity with the cotton futures act, even under old section 11, American exporters will have adequate hedging facilities; also that then there will be facilities for the conduct abroad of speculative transactions from this country without the payment of a tax.

It is the notion of some with whom I have talked that if one exchange over there conforms to the act, the competition of that exchange with the other foreign exchanges will compel them to fall into line.

Section 11A is an entirely new provision. I want to call your attention first to the fact that this would not become effective immediately. The portion of the bill which provides for the act going into effect contains this clause in section 21, on page 94 [reading]:

That sections nine, nineteen, and twenty of this act and all provisions of this act authorizing rules and regulations to be prescribed shall be effective immediately; section eleven a of this act shall become and be effective on and after the first day of August, nineteen hundred and seventeen.

In other words it is proposed that this new provision shall go into effect at the beginning of the cotton season of 1917.

Section 11A, to go into effect at the beginning of the cotton season of 1917, provides in substance that unless the exchanges in a foreign country, on which cotton future transactions are customarily carried on, come into conformity with the same provisions as are prescribed by section 11 for the exemption from taxation of orders sent from the United States for execution on foreign exchanges, then that orders to this country from those foreign countries whose exchanges have not come into conformity with the act shall be taxed the same as orders sent from this country.

Of course, it is the hope, or purpose, that that would put additional pressure upon the foreign exchanges to adopt our American standards, and therefore added to the other——

Senator SMITH of Georgia. And allow our American contract?

Mr. CAFFEY. Yes; and our American contract; thereby bringing about a universal world standardization and uniformity in the trading in American cotton for future delivery.

I want also to call your attention to the fact, as I understand it, that on the Liverpool exchange, which is the chief of these foreign exchanges, there are at present from 20 to 30 forms of cotton future contracts. It is not asked of the Liverpool exchange that they upset their entire business, but merely that they add one other form of contract in which to trade in futures, on orders sent from this country, in American-grown cotton. That is all. It does not upset their whole business at all; but merely asks them to provide a contract uniform with the American futures contract now required of our exchanges, so that the quotations for futures on all the exchanges shall be on the same basis and mean the same thing.

Senator SMITH of Georgia. Do you consider the sole object of section 11a additional pressure upon them? Is that the only reason for it, to induce them to adopt our standards of contracts?

Mr. CAFFEY. Senator, I would not say that it was the sole object.

Senator SMITH of Georgia. Is there any harm from their trading here without restrictions in our contract?

Mr. CAFFEY. I doubt if there is. I have never had any facts brought to my attention to indicate that there is any harm in their trading here without restrictions.

Senator SMITH of South Carolina. Is it not true that under the present form of contract, sections 11 and 11A, that both of them mean the same thing, only one approaches it coming this way and the other going that way—that under its present operation the effect is this? I want to get down to the real cause of objection. As the matter now stands, a sale of a hedge abroad must be accompanied by a sale of a corresponding amount of cotton, to be followed at some time, but it must be delivered or the tax will attach. The same is true coming this way. Now, the result is, as compared with the American stransactions, that you can sell an unlimited number of hedges on contract, or buy them, and specific fulfillment is only required; it is optional as to whether fulfillment is required or not, and in case it is you are restricted to the Government standards in America for substantially other than the basis grade?

Mr. CAFFEY. You are speaking now of domestic transactions?

Senator SMITH of South Carolina. I am comparing the two and trying to get at what makes the objection. Therefore the particular objection is this, that the vast volume of spot cotton that is bought, the actual spots that are bought, a large per cent of those are never recorded on your exchange, but the hedges against them are. Therefore the effect here in this market is to depress it, for this reason, that actual sales and purchases abroad under the terms of this contract are recorded. Therefore the American can not hedge abroad unless he is going to send the cotton abroad; but he can sell domestically whether he delivers the cotton or not. Therefore you have a multiplicity of sales in America or purchases in America as compared with those abroad, and you have limited the market and the whole future transaction practically to this side, and the consequence is the parity just widens until you have got an anomalous condition here, a dam thrown up of $10 a bale, over which the tide can not flow, and it seems to me that under the terms of your domestic delivery and sale that the men buying American cotton have got to conform when they come here to purchase, and I do not see for the life of me—of course, if we want them to conform to our standards, that bill that was introduced here, I believe, by the chairman of the committee, under our Constitution regulating foreign and domestic commerce, requiring all shipments of cotton abroad to conform to American standards, would cure that evil.

Mr. CAFFEY. Senator, that relates only to spot cotton.

Senator SMITH of South Carolina. Well, spot cotton on the basis of all your future transactions.

Mr. CAFFEY. The two are supplementary. If foreign commerce in cotton were on the American standard and their exchanges did not trade on it, you would have an inconsistency. I can not answer you on all your theories, because I do not know enough about them. These gentlemen here from the department know more about the economic theory, the commercial side of it, than I do. But I should like to call your attention to some facts.

There have been many assertions as to things that have happened, alleged to be attributable to section 11, which have no more to do with that section than the man in the moon. Many have pointed out things which happened and things which existed, and then attributed them to section 11.

For instance, one of the great outcries here was that over a period since the act became effective, for a long time cotton was 3½ cents higher in Liverpool than the prices here; whereas prior to the going into effect of this act, or prior to this standard, there were no such differences; therefore, they say, the differences were brought about by section 11. But that leaves out of account what happened meanwhile, the war. The department has investigated that matter and has set out the complete figures in item 1 of this Service and Regulatory Announcement No. 9, of the Office of Markets, to which Judge Graham has referred. It was pointed out from the actual statistics that over 3 cents of the difference is attributable to freight charges, cost of exchange, and insurance, during the same period when the 3½ cents price difference existed.

Senator SMITH of Georgia. That is to say, those charges forced a difference of 3 cents?

Mr. CAFFEY. Yes. There is a difference between New York and New Orleans always, because New Orleans is physically nearer the cotton fields than New York. That affects futures as well as spots. That is also true as to Liverpool. If you care to go into those figures in this Service and Regulatory Announcement——

Senator SMITH of Georgia. But you think we had better ask Mr. Brand, because he is more familiar with it?

Mr. CAFFEY. Yes, sir. Let me call your attention to another fact. In item 4 of that same Service and Regulatory Announcement is an answer to those who have argued here that section 11 prevented exports. Now, the department has collected the statistics. The difference covering the whole period of each cotton season, as from February to February during 1913 to 1916, shows that there has not been any very substantial diminution. When you consider the size of the crops, and particularly when you also consider the war conditions, it is quite remarkable that the exportations have kept so high since the cotton-futures act went into effect. Here are the actual figures (reading):

COMPARISON OF COTTON EXPORT STATISTICS.

4. An analyss of the information contained in the appended tables throws much light on the question of the effect of section 11 of the United States cotton-futures act upon the exportation of cotton from the United States.

The statement of exports to England and other countries for three years commencing February 18, 1913, and ending February 17, 1916, shows that, although the present European war was not in progress during the first of those years and the act was not in effect during either the first or the second, exports to England in the second year, during which the European war began, decreased, in round figures, only 260,000 bales as compared with the previous year, while in the third year, during which the act was in effect and the European war continued, there was an increase, in round figures, of 156,000 bales over the second year. The most important future exchange in the world outside of the United States is located in Liverpool, and the sending of orders from the United States for the making of future contracts on that exchange is, in effect, prohibited under the act, yet substantially all of the cotton shown to have been exported to England was shipped to Liverpool.

The exports to all countries other than England decreased during the second year approximately 1,538,000 bales as compared with the first year, and during the third year 211,000 bales as compared with the second year. The total decrease thus shown of 1,749,000 bales between the first and third years is approximately two-thirds of the normal annual exportation of cotton to Germany alone prior to the beginning of the European war. Reexportation of cotton from England to other countries during the respective years amounted to, approximately, 221,000, 161,000, and 280,000 bales, the variation being insufficient to be material in this connection. During the period under consideration the only recognized future exchanges in the world outside of the United States and Liverpool were at Havre, in France, and at Bremen, in Germany.

While the total exports decreased somewhat during these years, the consumption of cotton in the United States during the third year increased 1,138,000 bales as compared with the second year and 958,000 bales as compared with the first year .

In completing the study an important fact is that the American cotton crop in the crop year 1915–16 decreased over 5,000,000 bales as compared with the crop year 1914–15 and more than 2,700,000 bales as compared with the crop year 1913–14.

The reasonable conclusion to be drawn from these facts would seem to be that section 11 of the act has had no appreciable effect on the exportation of cotton from the United States.

TABLE I.—*Exports of cotton from the United States, by months, from February, 1913, to February, 1916, inclusive (in running bales, including linters).*

Month.	1913–14			1914–15			1915–16		
	To England.	To other countries.	Total.	To England.	To other countries.	Total.	To England.	To other countries.	Total.
February	166,726	364,185	530,911	328,794	422,219	751,013	633,574	868,127	1,501,701
March	97,185	274,888	372,073	264,990	430,311	695,310	440,490	768,083	1,208,573
April	208,963	325,633	534,596	147,298	250,925	398,223	378,828	293,207	672,035
May	164,871	304,095	468,966	140,618	254,096	394,714	359,675	255,615	615,290
June	88,906	135,015	223,921	121,726	173,852	295,578	119,090	204,050	323,140
July	39,898	100,812	140,710	43,777	82,434	126,211	58,944	185,533	244,477
August	77,488	179,684	257,172	6,370	14,840	21,210	32,748	129,973	162,721
September	376,426	553,902	930,328	50,980	74,798	125,778	230,497	271,534	502,031
October	514,105	1,003,786	1,517,891	232,065	265,067	497,132	286,009	388,646	674,655
November	530,355	970,904	1,501,259	333,700	427,229	760,929	158,725	368,901	527,625
December	473,028	757,802	1,230,830	572,396	629,719	1,202,115	276,738	281,581	558,319
January	437,231	615,041	1,052,272	585,534	786,649	1,372,183	339,538	199,877	539,415
Total	3,175,082	5,585,847	8,760,929	2,828,257	3,812,139	6,640,396	3,314,856	4,215,126	7,529,982
Feb. 1-17, 1916							239,678	183,621	423,299
Feb. 18-29, 1916							181,997	95,300	277,297

TABLE II.—*Exports from, and consumption by, the United States, by years, from Feb. 18, 1913, to Feb. 17, 1916, inclusive (in running bales, including linters.)*

Date.	Exports.			United States consumption.
	To England.	To other countries.	Total.	
Feb. 18, 1913, to Feb. 17, 1914	[1] 3,273,531	[1] 5,621,030	[1] 8,894,561	[1] 5,901,685
Feb. 18, 1914, to Feb. 17, 1915	3,013,302	4,082,872	7,096,174	[1] 5,721,233
Feb. 18, 1915, to Feb. 17, 1916	3,169,864	3,871,668	7,041,532	[1] 6,859,886

[1] In arriving at the figures for the indicated years it was necessary to divide those for February by 28 and multiply the result by 17 or by 11, as the case required.

TABLE III.—*Crops of the United States (in running bales, including linters).*

Crop year:	Bales.
1913–14	14,663,945
1914–15	16,967,331
1915–16	11,954,704

Senator SMITH of South Carolina. Let me ask you this question: You say there exists such a state of facts. Cotton is quoted very often, perhaps this morning on the New Orleans Cotton Exchange and on the New York Cotton Exchange, at about the same price that it is quoted spot cotton in the interior, yet the difference of freight where that quotation is made is perhaps $2 a bale. Sometimes you will find that quotations on cotton in the South exceed the quotations on the exchange, so you can not say that the freight is to be subtracted or added. It is the conditions that exist, such as facilitating exchange of telegrams and what you may impose upon it. Now, this tax has to be paid, war or no war; and if I sell a hedge abroad that does not conform to certain rules and regulations, that $10 is coming out certainly, so I have got to discount it, whereas if that tax was not there, there might be a condition where a contract sold abroad could be transferred to a contract here and the prices reach a parity. I do not believe there is a practical cotton man in

America to-day but what would say the elimination of sections 11 and 11A, in particular, have the effect of equalizing the European and the American markets to such an extent that the difference would hardly be accounted for, even though the freight——

Senator RANSDELL. I respectfully submit that Senators ought to question the witness and not make arguments. We are going to have arguments later on. With all due deference to the Senator from South Carolina, the gentlemen present are very anxious to get home. Let us get the evidence down, and then we can argue afterwards.

The CHAIRMAN. Yes.

Senator SMITH of South Carolina. Just let me state, Mr. Chairman, that I should be the best judge of what I want to bring out from the witness and not another member.

Mr. CAFFEY. You asked me in the beginning what suggestion I had as to the advisability of retaining sections 11 and 11A. I say unqualifiedly, as I have studied the matter, it would be a great misfortune if you do not retain both sections. I think you leave a loophole in your statute if you strike out section 11. You incur this original danger of your American exchanges escaping having to comply with the statute if you strike out section 11.

Senator SMITH of South Carolina. The program is a sort of war emergency, is it not? I think it is a splendidly strategical point for certain effects which we have not mentioned.

Mr. CAFFEY. I can not answer you about that, but the full facts are available to you and the witnesses here will give them to you if you wish them.

Senator SMITH of Georgia. I did not catch your last remark.

Mr. CAFFEY. I say if you strike out section 11, it seems to me you will imperil the statute as enacted, as you would have done when you originally enacted it, by leaving a loophole for evasion, by affording an opening for setting up a so-called simulated or fake exchange across the border in Canada where the formal part of the contract could be made.

The CHAIRMAN. It would open the door for straddlings and contracts of that kind purely speculative?

Mr. CAFFEY. Oh, yes; unquestionably. Mr. Glenny pointed out to you yesterday that there was a real purpose for putting section 11 in at the time of the enactment of the bill; namely, to prevent evasion by the domestic exchanges. Certainly, theoretically at least, the striking out of section 11 would leave that same loophole now. Whether the actual peril would still be the same or not, I can not say; but it would leave that loophole.

In the second place, if you are starting out on this program, to try to bring about world standardization of American-grown cotton, and uniformity in the price quotation of it, then you are losing a very great advantage if you do not frame your bill so as to make the pressure as great as possible, and the inducement as great as possible, to the foreign exchanges to come into this perfectly fair form of contract prescribed by this statute.

The CHAIRMAN. We are very much obliged to you.

I believe the next gentleman who will be heard is Mr. E. J. Glenny, of the New Orleans Cotton Exchange.

STATEMENT OF MR. E. J. GLENNY, OF NEW ORLEANS COTTON EXCHANGE, NEW ORLEANS, LA.

The CHAIRMAN. Will you please state your business?

Mr. GLENNY. I am a cotton broker.

The CHAIRMAN. You were formerly president of the New Orleans Cotton Exchange?

Mr. GLENNY. I am ex-president of the New Orleans Cotton Exchange. I was president during the time this law was passed.

Senator SMITH of South Carolina. Do you now hold any official relation to the exchange save just a member?

Mr. GLENNY. No; I am simply a high private in the rear ranks, just a member of the exchange. At first I want to address myself as nearly as possible to section 11 and 11A. I want to state that I think that section 11 as now written is elusive; it is coercive, and it is theoretic.

The CHAIRMAN. It could not be all three, could it?

Mr. GLENNY. It could be all three.

The CHAIRMAN. It could not be coercive and theoretic, could it?

Mr. GLENNY. It is elusive, and its purpose is theoretic.

Senator SMITH of South Carolina. Its effect is not theoretic, is it?

Mr. GLENNY. It has no effect as yet as it is not a law, and I hope never will be. But it is coercive in that it is intended, or the purpose of it is, in my opinion, to compel Liverpool to do something which will conform to the American law. That something is, and I believe has also been frankly stated here, to compel the adoption of the United States Government's standards. That is not the only thing that Liverpool must do to conform to the American law. There are two other vital points which I might call attention to, one is the provision in section 5, in the fifth division of that section, of the staple cause, which requires that there shall be no cotton delivered upon the American contract of less than seven-eighths inch staple. The Liverpool contract, as I remember it, provides that no cotton of a value below fully good ordinary, fair color and staple, shall be delivered upon the contract, but it says nothing as to the length of the staple, nor does it say that good middling of a lower grade than seven-eighths could not be delivered, nor does it say that good middling of less than fair staple should be delivered. You might have a condition where low middling of short staple, shorter than seven-eighths inch, would be a perfectly good delivery upon the contract, which would not be the case in America, because its staple is less than seven-eighths inch. That is one point.

There is one other point, and that is the certification of cotton, which does not obtain in the Liverpool market. It is required by the law that the seller of the contract must furnish the buyer a certificate, and that, I do not think, will ever be conceded in the Liverpool market.

Those two points which, even if adopted by the American classification, would, in my opinion, preclude the possibility of the Secretary of Agriculture using his judgment as to whether it was in practical compliance with the law.

Senator SMITH of South Carolina. Before you pass from that staple provision, why, in your opinion, was seven-eighths inch fixed as the line below which no staple shall be delivered?

Mr. GLENNY. I will frankly answer that. The real purpose of it is pretty much the purpose of this provision in section 11. It was to compel the use of a better seed. That is one reason for it and I objected to it on those grounds. It was using the buyer as a vehicle.

Now, then, I want to say this; that I was very much opposed to it for other reasons. I have had, and most people had, the commercial idea of seven-eighths inch staple. I took great pains to test out the commercial seven-eighths inch and I found it to be on an average 1 inch long, but the practical seven-eighths inch is not harmful, but, on the contrary, is beneficial to the law, and therefore I am a convert to that provision. It prevents the delivery of cotton which would in many instances seriously depress the contract, and that ought not to be in any contract.

I made the statement that it was elusive. It does not do what it apparently is intended to do.

Senator SMITH of Georgia. That is section 11?

Mr. GLENNY. Yes, sir.

Senator SMITH of Georgia. You do not mean the seven-eighths inch?

Mr. GLENNY. No. Section 11 gives to the seller of actual cotton on the other side the privilege of hedging in Liverpool. It does that; it leads him into trouble, in my opinion. It brings on a concentration of power in the hands of those who care to use that power, and who have the ability to use it through a large credit or capital. The small man could use the Liverpool market to the limit of his capital or his credit. He might be able to handle 5,000 bales of cotton consigned to Liverpool and hedge it, we will say, in January–February. When a sufficient number of those men have sold January–February, and must sell their spot cotton based on those sales, the large man could twist that position and cause a very serious loss to the man who was unable to take advantage of the laws of parity between the American market and Liverpool and protect himself. Further than that, the large man, who always has a very considerable stock of cotton to be shipped, or shipped, could use the future market in Liverpool in a straddle way by first hedging, we will say in January–February, transferring his hedges to March–April, from March–April to June–July and from June–July ad infinitum, or finally ship the cotton against his original sales, which have been successively transferred. In other words, on a 50,000 to a 100,000 bale stock a man could do a million-bale straddle business simply through the manipulation of these transfers.

Senator RANSDELL. Which the small man could not do?

Mr. GLENNY. Which the small man could not do except in a very limited way.

Senator NORRIS. What would be the advantage to him of doing that?

Mr. GLENNY. I am glad you asked that question, Senator Norris. The prevention of the general trade, straddling a market, which Senator Gore puts down just now as speculative and gambling; on the contrary, it is nonspeculative and a preventative of speculation and gambling.

The CHAIRMAN. What I meant by that, there is never any cotton, as I understand it, that changes hands?

Mr. GLENNY. But it is a hedge.

The CHAIRMAN. I understand it is a hedge on the parity in a general way and not on cotton itself, and no cotton ever passes or ever is intended to pass in a straddle.

Mr. GLENNY. Well, Senator, a man may not have the intention of passing the cotton and he may be forced to in order to protect his straddle; he may be forced to send it, and therefore it creates a demand at a time when a demand is most needed. So that it is not an evil; it is of great benefit.

The CHAIRMAN. Let me get your point on that. There are no sort of contracts that you believe are gambling or speculation?

Mr. GLENNY. There are no sorts of contracts on the exchange which it is not possible to compel a delivery of.

The CHAIRMAN. The point I want to get at is, you think all forms of contracts known to the trade are legitimate contracts and that there are no contracts that may be characterized as speculative or gambling?

Mr. GLENNY. I should say no. I will not go so far as to say that some men do not enter the market with a gambling intention.

The CHAIRMAN. But it is purely a matter of intention and not of fact?

Mr. GLENNY. Purely a matter of intention and not fact. I will go on and answer Senator Norris's question. The restriction of section 11 permits the markets to get very much out of line. That is to say, when a market, say Liverpool, begins to decline beyond the parity of America, immediately the ordinary straddler, if you please, buys Liverpool and sells America. Per contra, should Liverpool get too high for America, they immediately sell Liverpool and buy America. This provision will permit and induce Liverpool to get entirely out of line to the extent of $2 or $3 a bale at times, and then the man who has the money and the power can go in there and make a very large fortune on a very small amount of cotton.

The CHAIRMAN. That is not gambling?

Mr. GLENNY. No; it is not.

The CHAIRMAN. That is legitimate. So you do not urge that as an objection?

Mr. GLENNY. I urge it as an objection, because it gives the larger man a show which is not enjoyed by the small men.

The CHAIRMAN. You think everybody ought to enjoy it?

Mr. GLENNY. I think everybody should. I think the farmer ought to have the right to hedge 100 bales in the market.

The CHAIRMAN. There would be no objection to that?

Mr. GLENNY. There would be under this law, because he would have to ship that 100 bales to Liverpool, and he has absolutely no provision for doing that sort of business.

The CHAIRMAN. Your idea is the more straddlers, the better in that sort of case?

Mr. GLENNY. I think the straddling interest keeps a parity between markets which is most desirable.

I want to say this, that I commend and heartily commend the universal standard. And I do not think that there is anything more to be desired than that we should all have a standard upon which to work, which is known throughout all countries, but I do not think we should make the sacrifice we are about to make through sections 11 and 11A, to bring about this no matter how beneficient the result.

Senator NORRIS. As I understand you, you think the object to the people in these sections is a good one, but they are sacrificing to get it?

Mr. GLENNY. I think the object is a good one, but they are sacrificing too much to get it, and that it compels a buyer in England to regulate cotton exchanges as a vehicle to bring about the result. I think it is a misuse of the law.

Now, I think it is theoretic for the reason that the theory of this is to bring about a universal standard. I want to differ with those who believe that way, because the English character is such that they are much more easily led than coerced into doing anything. As a matter of fact, the standard in America to-day is very little different from the standard in England, and I feel this way that we have not been treated with all due courtesy, and I might also say fairness, by the Liverpool merchants and exchange in the bringing about of a universal standard. It had its origin through several meetings of all the various cotton exchanges, and finally a committee was sent to the other side for the purpose of making up a universal standard. New Orleans sent three representatives to Liverpool. Havre, Bremen, and America were all represented, and a universal standard was agreed upon. Mr. Brand will touch upon the rest of that in his No. 7, so that I am not going to take the time of the committee, but it started several years ago before we had a law, and I am still as much in favor of a universal standard as I ever was, but I am opposed to sections 11 and 11A.

Senator SMITH of South Carolina. The difference between the Liverpool grades and the American grades are more apparent above or below middling, are they not?

Mr. GLENNY. The nomenclature is different. The value of the two standards, expressed in value, they are almost the same.

Senator SMITH of South Carolina. I knew that, but I wanted to know what was the classification of parallel grades nearer together, above or below?

Mr. GLENNY. If the two extremes are practically the same, then the average of the grades must be the same, and there is no material lower or higher to the grades.

Senator SMITH of South Carolina. The reason I asked you was that I saw the grades, tentatively, I believe, that Mr. Brand had down here. I think the wider divergencies were in the lower grades.

Mr. BRAND. Yes; in the lower—middling and below.

Senator SMITH of South Carolina. That is what I thought; that is the reason I asked the question.

Mr. GLENNY. We have laid a good deal of stress upon Rotterdam and Bremen as markets which have signified their intention of adopting the United States laws. I, for one, am very much in favor of a material increase in the number of future-contract markets, both in America and in Europe, for the reason that it is axiomatic that the greater the trading in a commodity the better the price. I do not think anybody will dispute that. Now, if Rotterdam and Bremen can bring about the general trading which is necessary in a future market, so much the better, but no future market was ever manufactured, I might say; it is a process of evolution and requires more than a mere fiat to bring it about. Havre has been trading in futures for a great many years, but it sometimes takes you a week to get out of a

single contract. Memphis attempted a future market and gave it up. Galveston did likewise and gave it up.

Now, I do not think we should base all of our arguments upon the fact that Rotterdam wants to start a future market, and Bremen has started one, which, by the way, did not amount to anything before the war began. It did not have a fair chance; I admit that. I am hopeful that both those markets will some day be real markets and will serve the economic purpose for which they are intended, but I do not think we ought to rely upon them to pull Liverpool and Havre to the American law. I think it is elusive if we do.

Senator SMITH of South Carolina. Your idea is that the universal standardization only can be brought about by agreement?

Mr. GLENNY. I think it can be very much more quickly brought about through Government laws without coercive measures. I think it is very natural that a body of foreigners should get the hair on their backs up if they are told they must do something or they must trade with the American markets.

Now then it is discriminatory and I think not intentionally so, but does a serious injustice to both the people of the United States and the people of foreign countries, who, with all good intentions, want to trade in America, for the reason that it simply says that if there is any market in a country which has not conformed—that is, any future market, which has not conformed—to the American law, that that country is debarred from the privilege of trading with a commodity which bears the stamp of approval of the United States Government. In other words, if Liverpool should refuse to trade in an American contract, then Manchester, a large spinning center, could not buy 100 bales of New Orleans or New York future contracts no matter what their rules and regulations were, even if they went to the extent of establishing a future market, which was in entire conformity to the American law, they would still be debarred from the privilege of trading in America.

Senator SMITH of Georgia. That feature of the buisiness would really force all the citizens of those countries to deal exclusively with the local exchanges to the extent that they trade at all?

Mr. GLENNY. Yes, sir.

Senator SMITH of Georgia. Would it not therefore be beneficial to those exchanges, rather than punitive?

Mr. GLENNY. It would.

Senator SMITH of Georgia. And counteract the punitive effect of the first part of section 11.

Mr. GLENNY. There is one other point which you have suggested, and that is this, to make a law effective you must make it preventive at the same time, and to prevent Liverpool trading at all we would have to do away with at least 9,000,000 to 11,000,000 bales of growths other than those of the United States. We do not want to deceive ourselves by thinking that we have the monomoply of the cotton raising business. It is true that American cotton is of such character as to be much more desired by the foreigner for certain purposes than foreign-grown cotton, but if they never got another bale of American cotton, they might still do business by simply readjusting their looms and spindles to meet conditions. I do not want to put that to the test. I do not even want them to make an attempt at it, but all cotton is spinnable, even the shortest staples, and let us enjoy what

we have without forcing people to look into even a suggestion that they might get along without our cotton. That is another point in the law.

Now, then, a great deal was said by Mr. Caffey about the theory that the law was necessary; that section 11 was necessary at the time it was put in. I concur in that opinion. It is necessary. I do not concur, however, in his expressed opinion that it is theoretically necessary now any more than I would concur in the opinion that a country at times needs martial law; but that does not justify a continuation of martial law. I do not think there is the slightest desire on the part of anyone to move out of this country in order to violate the law as laid down—the Smith-Lever law of two years ago—because every sane cotton man to-day recognizes the benefits which it has been to the country—which the country has derived from the passage of such a law.

The CHAIRMAN. Then they were mistaken as to the probable effects of it, you think?

Mr. GLENNY. You mean Mr. Caffey's theory is, in my opinion, incorrect?

The CHAIRMAN. I mean the cotton men who a few years ago anticipated the establishment of another concern——

Mr. GLENNY. Not at all, sir; I think the cotton men at that time honestly believed it would be better for them to move out—some of them.

The CHAIRMAN. But you think they were mistaken?

Mr. GLENNY. I want to say there was not any such opinion in New Orleans.

The CHAIRMAN. You think they were mistaken?

Mr. GLENNY. I think the proof of the pudding is in the eating, and I think they have been mistaken.

Senator SMITH of Georgia. You think the New York Cotton Exchange men who damned this law and were disposed to go to Canada to engage in business there in order to escape it; but, not being permitted to go to Canada and do business as the result of section 11, went into business under this law in New York, and they found they were mistaken about being unable to do business under it?

Mr. GLENNY. That is my opinion.

The CHAIRMAN. That is what I wanted to get at.

Senator SMITH of Georgia. And they now realize that danger no longer exists?

Mr. GLENNY. Yes, sir.

The CHAIRMAN. And that the evils they anticipated were not real evils?

Mr. GLENNY. No; they were very beneficent evils if they were.

Senator SMITH of South Carolina. The practical effect of the operation of this law was the establishment of a commercial difference in place of the old fixed difference, and the restriction of delivering standard grades and the acceptance of American standards as against unlimited grades and any standard?

Mr. GLENNY. And one other point, Senator. This law in America compels the American exchanges to deal in a standard which it was impossible to thoroughly understand throughout the breadth of this land.

Senator SMITH of South Carolina. That is the standardization of the grades?

Mr. GLENNY. The standardization of the grades. Anybody can get a set of American standards by applying to the Department of Agriculture or to the Office of Markets of the department for the small sum of $20. In that way he is being put in possession of a very important fact, the grades and quality of cotton which he is either required to deliver or to receive on the contract. It is not a private standard unknown to the general public and therefore unintentionally may be for the benefit of the inside members of the exchange.

Senator SMITH of South Carolina. I want to get it clear that the committee may know exactly the points that we are trying to get out as to the elimination of section 11 and the establishment of the present law, or justification of the present law, I should say. The benefits, as you see it, of this law are restricting the delivery to the standard grades, restricting all speculation to the standard grades, and eliminating any fixed difference. That, in a word, is about the difference between this and the old, is it not?

Mr. GLENNY. It is.

Senator SMITH of Georgia. That elimination of the fixed difference amounts, does it not, to requiring the seller, if called on to deliver, to deliver the actual middling or a cotton plus the commercial difference between what he delivers and the middling, so that the buyer gets 100 cents for what he has bought and agreed to pay 100 cents for?

Mr. GLENNY. That is true, Senator.

The CHAIRMAN. But you say a great many cotton men thought that it would be disastrous to do that?

Mr. GLENNY. Well, Mr. Chairman, it is no more than natural that we hate to depart from a beaten track, and we are fearful, particularly when the way is dark and we have not thoroughly understood where we are going.

The CHAIRMAN. That is just what I was trying to get you to say, and I was wondering if the evils which you anticipate now as growing from these new sections 11 might not vanish if they were just such evils as were anticipated two or three years ago when the law was actually passed, and they came to conform to its conditions?

Mr. GLENNY. Senator Gore, I would agree with you if I had not the experience of over one year, and I do not think I am theorizing when I say that notwithstanding the statements made here to-day the harm has been done the American planter to a very large extent, for the reason that of no single day within the time of the passage of this law has Liverpool ever been on a shipping basis with America. Now, it is all very fine to point out that 200 or 300 or 400 points is a larger difference than existed before.

The CHAIRMAN. Let me ask you another question right there. If this 2-cent tax is repealed by this act, do you express it as your opinion as an expert cotton man that cotton will advance $10 a bale in the United States?

Mr. GLENNY. Senator, there are so many other conditions which might arise to compel cotton to decline——

The CHAIRMAN. Assuming the other conditions remain equal or practically equal.

Mr. GLENNY. I wish I knew that, Senator.

The CHAIRMAN. If that were true, when you repealed the tax cotton would advance $10 a bale?

Mr. GLENNY. I will say this, that cotton will be benefited to the extent of the opening up of a very much larger market and a larger field for the disposal of our surplus supplies if we have a surplus of cotton. Fortunately, this year you have not had a surplus.

The CHAIRMAN. That ought to be in addition to the $10 a bale.

Mr. GLENNY. That might be, but it is not necessary that cotton should immediately advance $10 a bale. I do not see why you place $10 a bale on it.

The CHAIRMAN. That is the $10 tax.

Mr. GLENNY. But nobody attempts to do anything under this $10 tax, so therefore there is no chance of the $10 tax——

The CHAIRMAN. But it has been urged that there is a $10 difference between the American and the Liverpool price. If that is true and it is removed——

Senator SMITH of South Carolina. He says that nobody does any business and therefore——.

The CHAIRMAN. I understand, Senator Smith, but I heard from a very high authority that commanded my respect that the $10 a bale is the difference between this and the Liverpool market due to the tax. If that is true, or if that is approximately true, the repealing of the tax ought to let American cotton advance approximately $10.

Mr. GLENNY. Senator Gore, if I put a tax of $10 a bale on cotton, and there is no cotton shipped under that $10 a bale, then is cotton affected to the extent of $10 a bale? It may be affected to a certain extent, but it need not necessarily be $10 a bale. I think I am sound in that argument. Now, I believe this, that the elimination of section 11, carrying with it the ability to trade more freely, will be to the benefit of the grower of cotton in America, and I do not think that can be controverted.

The CHAIRMAN. I brought this out because I think some farmers have been led to believe that this tax is costing them $10 a bale.

Mr. GLENNY. I am not responsible for that opinion.

Senator SMITH of Georgia. You do not mean anything of that kind, do you?

Mr. GLENNY. No, sir; I do not.

The CHAIRMAN. I did not want the farmers to be deceived in the hope that it will enhance cotton $10 a bale.

Mr. GLENNY. I think the more intelligent farmers have no such idea.

Senator SMITH of South Carolina. Let me ask you this question: Is it not a fact that this inhibition and difficulty of trading freely for American cotton has had the tendency, of course, to enhance or raise the price in Liverpool because of the difficulty of getting American cotton? Now, if you remove that, the effect of free trade would cause there to be—if American was depressed, say, $10 a bale, and Liverpool in consequence was raised $10 a bale; that is, the $10 a bale marked the difference when the two markets opened—just like water, they would reach parity—it might not be $10, but it would be the effect of the volume of business there tending to depress a high market and the tendency here to raise a depressed market, so they would meet on a parity. That is my idea.

The CHAIRMAN. What is the spread between the price in New York and the price in Liverpool?

Mr. GLENNY. The difference in price between New Orleans and Liverpool, I think, is something like three hundred and odd points. I think it takes in the neighborhood of 500 points to put it there. I made that calculation the other night. The statement made by Senator Smith a few moments ago that cotton at 17 cents in Liverpool was equal to cotton in New Orleans at 11 cents was a misstatement of the price at New Orleans. It is 12.75 cents, as a matter of fact.

Senator SMITH of South Carolina. How did it come about this fall that there was this difference?

Mr. GLENNY. As a matter of fact, we must take into consideration first 6 per cent for insurance——

Senator SMITH of Georgia (interposing). Won't you first give us the difference in price?

Mr. GLENNY. I haven't the difference here. I don't remember the exact price, but I think it is 8.40—something on that order.

Senator SMITH of South Carolina. 8.40 you say?

Mr. GLENNY. I think so. I haven't been in the market for a week; I have been up here. Seventeen cents, I would say, roughly, is the Liverpool price, and New Orleans is in the neighborhood of 12.75, which would be a difference of 4.25.

Senator SMITH of Georgia. What did it cost at that time to take it from New York to Liverpool?

Mr. GLENNY. It cost in the neighborhood of freight 2.50 a hundred. It cost in the neighborhood of 506 points.

Senator SMITH of Georgia. Four hundred and twenty-five was the difference in price, and it cost 506 to get it there; so the cost was greater than the difference in price.

Mr. GLENNY. I will give a concrete experience that I know of on that.

(At this point the committee took a recess for 30 minutes.)

Senator RANSDELL. I suggest that we go ahead, Mr. Chairman.

The CHAIRMAN. Proceed, Mr. Glenny.

Mr. GLENNY. I had arrived at the point where I said I would give a concrete example of what I had said before.

In conversation with an exporter of cotton to Liverpool some time ago he made the statement that he had sold on the Liverpool stock market cotton that day which he could not replace within $8 a bale. I asked him why he did a thing of that sort; it was not a business proposition nor did it look reasonable to expect a man of intelligence to do a thing of that kind. He said, "For two reasons; I can not hedge it in Liverpool, and we may have a difference in the parities."

Senator SMITH of Georgia. That was an American merchant.

Mr. GLENNY. That was an American merchant.

Now, section 11 would permit of hedging, but section 11 would also be productive of very serious manipulation on the part of a set of large Liverpool merchants in that it would encourage the exporter from America to hedge his cotton in Liverpool against his forward shipments, or to buy a given month in Liverpool and sell his cotton to the spinners on call. That is the general way in which the cotton business is done in Liverpool. Now, when a sufficient number of men have bought a sufficient number of contracts which have been

supplied to them by a set of men or an individual—when that condition arises—then it is very simple under this law for the Liverpool merchant to depress the month which has been bought on call and buy other months to protect himself, and force a widening of the differences between the call month and the other months; and in that way the American exporter would be at a loss, because he had paid a price in America which is not represented by his protection in Europe. He would be estopped from liquidating his contract in Liverpool for the reason that he must ship the cotton which he has bought in America, and therefore that cotton could not go elsewhere, even though the market for the cotton might be a cent a pound above the price in other markets—above the Liverpool market.

Now, I can see that point, and I think that others have more intelligence than I have when it comes to cotton markets; and certainly the Liverpool merchant could see it, and he would have no restrictions placed around him in the trading in the future market in Liverpool.

The same thing obtains through the sale of cotton against a consignment. They could advance the price of the month by buying the month in which the hedges were made and selling other months. That would not be quite as disastrous to the exporter, because he would have the right to tender against it, and he would limit his loss.

There was a point raised here as to the dispute between the buyer and the seller as to value. I simply want to correct the record, if it needs correction, and state that there can be no dispute as to the value of grades between buyer and seller, as all settlements are made upon the commercial differences as they obtain on a specified day prior to delivery.

The CHAIRMAN. Now, in practical operation does that method of settling differences prove satisfactory?

Mr. GLENNY. I will answer that in this way: New Orleans has always operated on commercial differences.

The CHAIRMAN. Even before this law was enacted?

Mr. GLENNY. Yes, sir.

The CHAIRMAN. And you have had no trouble?

Mr. GLENNY. We have had no trouble. I can not answer for New York, although I take it that it has been thoroughly satisfactory. I think Mr. Brand can probably answer the question better than I can. There is this much to be said, that the two markets have worked on a better parity than they have worked heretofore.

Senator SMITH of South Carolina. Mr. Glenny, don't you think that for the popular mind—one that would read this report—that your statement needs correction?

Now you say there can be no difference between the buyer and the seller when substituted grades are tendered.

Mr. GLENNY. I say there could be no dispute, no dispute as to value.

Senator SMITH of South Carolina. There could be no dispute between them as to the value, then why the provision in the bill that the Secretary of Agriculture shall ascertain the commercial value by the quotations in five different spot markets?

Mr. GLENNY. I think I said that there could be no dispute because—I will illuminate that a little bit—because the law prescribes how these differences shall be settled. Among those provisions is

the provision which you just mentioned, and the differences between grades are established by commercial differences, safeguarded by the provision which you have just mentioned, the Secretary's ability to make an investigation and determine whether the differences are or are not correct.

Senator SMITH of South Carolina. But a dispute might arise between you and me.

Mr. GLENNY. A dispute could not arise, because we must settle all those differences. We could have in our minds what we chose, but we could have no dispute.

Senator SMITH of South Carolina. I think we are apart on the terminology. You and I could settle without appealing to him.

Mr. GLENNY. Absolutely.

Senator SMITH of South Carolina. But in case we did not settle, then we would have to appeal to him.

Mr. GLENNY. You have no appeal from the differences.

Senator SMITH of South Carolina. But you and I might not agree as to what was the difference.

Mr. GLENNY. It would not make any difference. The law prescribes that we shall settle upon certain differences that obtain upon a certain day.

Senator SMITH of South Carolina. Conditioned upon what conditions?

Mr. GLENNY. Conditioned upon the market value as written on the boards of the cotton exchange, which market values are established under the provisions of this law, over which the Secretary of Agriculture has supervision.

Senator SMITH of South Carolina. Yes; and there might be a difference in value in the five markets.

Mr. GLENNY. It is safeguarded against any peradventure.

Senator SMITH of South Carolina. I grant it is safeguarded, but we might differ when we come to a settlement, and in differing, then it automatically goes there for adjustment.

Mr. GLENNY. Senator Smith, we might differ, if you wish to put it that way, but our differing would not make a particle of difference, for the reason that I would have no appeal, nor have you. So far as the value of the various grades are concerned, they are automatically fixed.

Senator SMITH of South Carolina. I fully appreciate that, but they are automatically fixed by him appealing to five markets, and, as I understand it, getting the average.

Mr. GLENNY. Those differences have already been fixed prior to the date upon which we make our delivery or receive the cotton, and therefore we can not dispute about it.

Senator SMITH of South Carolina. I understand that the differences are fixed five days prior, but how do I know it? There is one price in New York to-day and another one to-morrow. Now, on the sixth day previous to the settlement there are five markets that may have a difference. I may, when I come to settle, claim that the difference, as you and I agreed upon it, has fluctuated. We appeal to that sixth day. Now, if he will specify to us what the markets are, and give us rules by which we will find the average, then I will agree with you that there is practically no ground for any difference.

Mr. GLENNY. You have already had that work performed for you, and there is no chance for dispute.

The CHAIRMAN. I think he is using the same word to designate a different thing, or using a different word to designate the same thing. Of course, both of you understand the process.

Senator SMITH of Georgia. Now, under this bill, each day the Department of Agriculture takes the prices of these various grades in five spot markets designated.

Mr. GLENNY. Ten markets, I believe; not less than five.

Senator SMITH of Georgia. Not less than five in the number designated.

Mr. GLENNY. Yes, sir.

Senator SMITH of Georgia. Do they not, therefore, each day, without reference to the settlements that will come in the future, take these prices and average them?

Mr. GLENNY. They do.

Senator SMITH of Georgia. It is not therefore feasible, for any man who wants it, to obtain the fixed price of differences, as fixed by the Department of Agriculture through these spot markets, before the sixth day, when he settles?

Mr. GLENNY. It is.

Senator SMITH of Georgia. And that is already established for us, whether the delivery is made or whether settlements are made through differences on the cotton exchange.

Mr. GLENNY. No doubt about it.

Senator SMITH of South Carolina. Then I move an amendment to the bill, to the extent that the Secretary of Agriculture shall fix the differences and promulgate them.

Senator SMITH of Georgia. Let me go on now, Senator; I waited for you.

Now, if they have a dispute about the character of the grade tendered; if they deny that a grade 2 below middling offered by you came up to the Government standard for that grade, that would be arbitrated in the Department of Agriculture?

Mr. GLENNY. It could—it would be.

Senator SMITH of Georgia. It could be if you could not agree?

Mr. GLENNY. Yes, sir.

Senator SMITH of Georgia. That is the only thing they have to arbitrate.

Mr. GLENNY. That is all.

Senator SMITH of Georgia. Now, how successfully has it worked?

Mr. GLENNY. I have heard no complaints whatsoever.

Senator SMITH of Georgia. Have you had any trouble with buyers on the exchange, in the operation of this law?

Mr. GLENNY. None in New Orleans.

Senator SMITH of Georgia. I mean in New Orleans.

Now, I wish to go to section 11 and its operations. You stated that just before you left New Orleans the difference between the New Orleans price and the Liverpool price was 425.

Mr. GLENNY. In that neighborhood, Senator.

Senator SMITH of Georgia. Practically that.

Mr. GLENNY. Yes, sir.

Senator SMITH of Georgia. You said that at that time the cost of transporting the cotton to London was 506?

Mr. GLENNY. Roughly.

Senator SMITH of Georgia. Didn't that then make a difference of 81 points really on the New Orleans exchange, ahead of Liverpool, taking into consideration the cost of transportation?

Mr. GLENNY. In advance of it.

Senator SMITH of Georgia. Take the year through, about how have the Liverpool prices compared, minus the cost of transportation? Give the result compared to the New Orleans prcies.

Mr. GLENNY. I do not think, if my memory serves me correctly, that there has been a single day when we have been even approximately upon an export basis with Liverpool.

Senator SMITH of Georgia. What do you mean by that?

Mr. GLENNY. I mean that you could not take free cotton and export it to Liverpool, sell a Liverpool hedge, deliver your cotton against that hedge, and come out without a big loss.

Senator SMITH of Georgia. Then Liverpool has not been selling during this period at 2 cents a point plus the cost of transportation ahead of the New Orleans exchange?

Mr. GLENNY. No, sir.

Senator SMITH of Georgia. It has not been selling, as a rule, at all ahead of the New Orleans exchange, taking the cost of transportation into consideration?

Mr. GLENNY. No, sir; nor does it do that ordinarily. But the differences as between Liverpool and America have been greater this year than ordinarily.

Now, in extenuation of those remarks I want to say this, that a great deal of cotton was imported into Liverpool on what is known as a high basis; that is, high freights, high rates of insurance, etc., and the accumulation of stock there created a certain amount of fear on the part of the holder of cotton that the rate of freight might decline materially and thereby bring about a heavy loss to the holder who had bought upon this high basis, which induced him to part with some of his cotton at a smaller profit than was apparent upon the board. or would be apparent if the differences adjusted themselves. And that has tended toward the depreciation of Liverpool as compared to the American market.

Senator SMITH of Georgia. If the Liverpool market, minus the cost of transportation, has been lower than the New Orleans market, the 2 cents a pound tax can not have kept the spot holders from making money by selling on the Liverpool exchange, can it?

Mr. GLENNY. The 2 cents a pound tax has not cut any figure at all, further than to restrict the sale of cotton in the Liverpool market.

Senator SMITH of Georgia. It has hindered American cotton merchants from handling their English trade with the same convenience and security which they would have if they had had the free opportunity to hedge there?

Mr. GLENNY. It has done more than that. It has prevented—or would have prevented if conditions were right—the American merchant buying cotton in America—distress cotton, we will say—and hedging it in Liverpool, had Liverpool been the higher market. In other words, it has brought about a condition which, if we had had a very large surplus on this side, would have proved disastrous to the cotton planter. The Lord has been good to us in that He has not given us a large surplus with which to contend. If we had had to

carry over five or six million bales this year we would have been in a very bad condition.

Senator SMITH of Georgia. There is a possibility of danger in the future, or of injury in the future?

Mr. GLENNY. No; there is a probability.

Senator SMITH of Georgia. Well, there is a probability of injury in the future which it has not heretofore caused.

Mr. GLENNY. Fortunately.

Senator SMITH of South Carolina. I want to ask one question. I have got to go out for a few minutes, and I will see your reply in the record, but I would like to ask this question at this juncture: If the 2-cent tax has no effect and can have no effect, and your market by virtue of extraordinary freight rates and insurance rates is above a parity, everything being considered, from Liverpool, then why do we want section 11 out?

Mr. GLENNY. Senator Smith, if you had a hole in a cistern, and you could fill that cistern to the top if it were not for that hole, wouldn't it be desirable to stop that hole?

Senator SMITH of South Carolina. Well, that is what I thought.

Mr. GLENNY. I don't know to what extent the market would have been higher had we had a market to which we could ship.

Senator SMITH of South Carolina. That is what we have all been contending for, that you change—just change the phraseology and say "wall" in place of "hole." Now, we want the two things together. Senator Smith from Georgia is about to develop the fact that it is an unmitigated blessing to have this 2-cent tax, in that you force the American market higher than it would be otherwise.

Senator SMITH of Georgia. I can not allow that statement to go unchallenged. I am not trying to do that, and I don't believe I have.

Senator SMITH of South Carolina. Well, I have heard leading questions on the part of certain attorneys.

Senator WARREN. Mr. Chairman, am I still safe here?

The CHAIRMAN. I think now you are.

Senator WARREN. I would like to know if there is a gun around here, being a western man, you know. [Laughter.]

The CHAIRMAN. Are there any further questions, gentlemen?

Senator SMITH of Georgia. I have nothing further, Mr. Chairman.

Senator RANSDELL. I have just one question. Mr. Glenny, to summarize your statement, you believe that this would be an excellent law if sections 11 and 11A were eliminated?

Mr. GLENNY. I want to go a little further than that, Senator. I want to say that I was heartily in favor of this law, even with section 11 in it, because, as I have stated before, I felt that section 11 was a necessity at that time. I do not believe that any law has been passed through Congress with more consideration and deliberation than has this law, and I do not believe that the lawmakers have ever been more justified in the passage of this law. This law has been as nearly perfect, with the exception of section 11, as any law which could possibly be conceived, in my opinion. And that is said after an experience of over a year and a half with the law.

Senator RANSDELL. And it has been most beneficial in its effect?

Mr. GLENNY. It has been very beneficial in its effects, and I believe it is worth millions upon millions of dollars to the raisers of cotton in America.

Senator RANSDELL. It is your fixed opinion, however, that we should strike out sections 11 and 11A?

Mr. GLENNY. Unhesitatingly I say sections 11 and 11A should be stricken out. They are the only flaw in the entire law.

Senator SMITH of Georgia. What would be the effect if we changed this law and required the delivery, the sale, and delivery of but a single grade?

Mr. GLENNY. Well, Senator, the law provides for the delivery of single grades. Section 10 does that. The absolute provision that section 5 be stricken out and that a specific grade could be demanded by the buyer of the contract or that a specific grade should be sold would be to place a prohibition upon the trading in future contracts.

Senator SMITH of Georgia. It would put an end to the exchange business?

Mr. GLENNY. It would settle it for all time. No man would have the temerity to trade in such contracts.

Senator SMITH of Georgia. Will you explain why that is so?

Mr. GLENNY. Well, it is to me obvious.

Senator SMITH of Georgia. It is to me, too, but I wanted it to go into the record.

Mr. GLENNY. It would compel me to perform a function which I, under certain weather conditions, could not perform. I would be obligating myself to do something which could not be done; and I would be putting myself in a position where my entire fortune would be at stake, in this.

Senator SMITH of Georgia. Let me see if I understand what you mean about that.

The cotton crop of 1916 has not yet been gathered.

Mr. GLENNY. No; it has not even been planted. It is just being planted.

Senator SMITH of Georgia. It is just being planted. It is very difficult, isn't it, to determine just what grade the average cotton raised will take?

Mr. GLENNY. It is impossible.

Senator SMITH of Georgia. It is impossible to determine. Might it not be possible, therefore, that there would be scarcely any of, say, middling cotton?

Mr. GLENNY. There may be none, or practically none.

Senator SMITH of Georgia. Any one particular grade might, through rain, or sunshine, or circumstances connected with it, be almost eliminated as a result of the crop?

Mr. GLENNY. Certainly.

Senator SMITH of Georgia. If you have contracted to sell that grade and have got to deliver it, you become a guarantor, not only as to the crop but as to the exact grade of the crop, do you not?

Mr. GLENNY. You do.

Senator SMITH of Georgia. And that is a business impossibility.

Mr. GLENNY. And further, Senator, any such provision would be theoretically for the protection of the buyer. The buyer would have it in his power to buy only certain grades, which would create a demand for that grade more than for any other grade, and the great bulk of the cotton-farmer's crop would be at a discount under a grade which was nonexistent; and the producer of cotton would be the greatest sufferer in the long run, because all of the grades, other than

the grade contracted for, would be selling at a discount through lack of demand.

The CHAIRMAN. Just one question there. Wouldn't it be possible for a number of buyers to combine—with no express agreement—and make a demand on a given day for this particular grade on which they had agreed, and run that sky-high and depress all other prices; shipwreck all other prices?

Mr. GLENNY. How was that question, Senator?

The CHAIRMAN. I say, won't it be possible for a number of buyers who had contracts calling for the same grade to agree with each other, expressly or merely by a wink—agree to make a demand for the actual grade in enormous quantities, and run the price of that grade sky-high and depress the price of other grades?

Mr. GLENNY. They could under specific grade contracts, but not under this law.

Senator SMITH of Georgia. Now, suppose you made a contract, one by which the buyer should have the option, if he could not agree with the seller as to the difference in value between some other one of these Government standardized grades tendered to him and the specific grade which he purchased, to demand the specific grade; what difference would such a contract have and a contract authorizing the buyer to demand solely the specific grade?

Mr. GLENNY. It could have three different effects. The first would be, unless special provision was made to bring about fixed differences—and preferably perpetually fixed differences—that we know from experience is something which ought not to obtain, for good reasons—otherwise, if a provision were contained in the bill to prevent the fixing of differences it would give the control of price into the hands of the buyer, since the provision would be that the buyer and the seller must agree. The buyer, not being a philanthropist, might not agree with the seller, no matter what the seller offered him other grades for—at what price the seller offered him other grades—therefore, he must deliver the specific grade. The result would be to depress the value of all grades other than the specific grade demanded, irrespective of whether the other grade went up or down.

Senator SMITH of Georgia. Wouldn't the effect of such a contract be that the seller would have to deliver the specific grade if the buyer wanted it?

Mr. GLENNY. Absolutely.

Senator SMITH of Georgia. And wouldn't that cause the business man to feel that he might just as well obligate himself to deliver the specific grade as to deliver it if the buyer wants him to do it?

Mr. GLENNY. Well, that would be true, but the third effect that I was going to mention is that there would be no contract market.

Senator SMITH of Georgia. That really was what I wanted to develop.

Mr. GLENNY. For no man would place himself in a position where, if he sold an article, the buyer would fix the price.

Senator SMITH of Georgia. It would as effectually eliminate the future market as if you provided in the contract for the delivery of the specific grade.

Mr. GLENNY. Under those conditions I should write the bill thus: "There shall be no contract market," and save a lot of printer's ink.

The CHAIRMAN. You regard the contract market, or the future market, at least so far as the merchant and the producer are concerned, to the interest of the producer as well as the merchant?

Mr. GLENNY. No; I regard the contract market as more essential to the producer than to the merchant. Our experience just after the war bears me out in my statement. I can make more money in spot cotton without a future market than I can with; and it is a very sad thing to have to acknowledge, but I must say that during the time when the future markets were closed advantage was taken of the conditions and the farmers paid the fiddler and danced to the fiddler's music.

The CHAIRMAN. That is a very important point. I think.

Mr. GLENNY. There is no question in my mind that if we at that time had put the matter to a vote of a great many men in this country the future markets would never have opened, whereas, per contra, the farming interests were beseeching the New Orleans Cotton Exchange to reopen its market as quickly as possible. I have in evidence of that received a great many telegrams as president of the cotton exchange not only asking us to reopen, but asking "When are you going to reopen?" and therefore I have a right to believe that that object lesson which they received at that time has done more to demonstrate the necessity of futures in a practical way than anything else. We have always considered that it was necessary. And further, as I said before, contracts are not a mere invention. They are the result of the evolution of the business. They permit a merchant to do his business on a smaller margin of profit; and if that is true, then the producer and the consumer are alike benefited. because the middleman does not have to absorb a large part of the marketing price of the article. When you stop and think that an article which is worth to-day $6,500—that is, 100 bales of cotton—is moved from the consumer—moved by the middleman to the consumer for $50—I think it demonstrates what I say. There is no other article in the world which is handled at a smaller cost than the cotton crop of the United States.

The CHAIRMAN. If there were no exchanges, wouldn't all the risk and all the insurance be shifted back onto the producer?

Mr. GLENNY. It would have to be, because I won't take a risk of loss in weight, difference in market, difference in grade, and everything of that sort for the small paltry sum of $50, when I might lose $500 in doing it—and do it in one day. But if I can hedge my price—I mean insure my prices, insure the cotton against fire and insure against marine loss—then I am in a position where I can handle the commodity on a smaller commission.

The CHAIRMAN. Now, Mr. Glenny, I wish you would give the stenographer an analysis of the cost of delivering cotton in Liverpool.

Senator WARREN. Before you proceed there, Mr. Chairman. I am led to believe—I am, of course, not acquainted with the cotton business to any great extent—as I understand it, cotton contracts would all provide, even if they provided presumably for one grade, they can be filled by producing any grade and paying the difference in price.

Senator SMITH of Georgia. Within the Government standardization—Government standards.

Senator WARREN. Yes; that is what I mean.

Mr. GLENNY. Senator, theoretically you are right, that it should be so. There should be no bale of cotton grown by the farmer, theoretically, which should not be deliverable upon a contract, but practical experience has taught that within a certain range—that is, within the range of what is commonly known as "bread-and-butter" cotton—the delivery should be confined, for the very good reason that when I get below that range I become a specialist, or when I get above that range I become a specialist because those cottons are not the cottons which are generally easy of sale upon any market in the world; and for that reason they have confined the delivery on contracts to such cotton only as is readily salable in any market of the world under almost any conditions.

Senator WARREN. Now, the consumer, the spinner of cotton, the manufacturer, does he make contracts of this character so that within certain lines any grade can be delivered?

Mr. GLENNY. He does, but he does not always take delivery of his contract, for this reason, that he spins a specific grade of cotton. Now, willingly or unwillingly, the consumer of cotton, for every bale of cotton that he buys for future delivery, in effect buys a contract, because the man who sells him a specific grade of cotton buys a future contract as a hedge, which is used until such time as he can find that specific grade with which to specifically fulfill the contract with the spinner. So that while the spinner himself may not enter the market and buy a hundred bales of cotton, he is using the future market through the medium of the third party.

Now, then, you will say immediately that there is no delivery made upon that contract. Theoretically you are right; practically you are wrong, for the reason that the buyer fulfills his contract in the open spot market through the purchase of a hundred bales of spot cotton, and passes on his hedge to someone else who is in the same predicament as he was and has to seek the protection of the future market against sales which he has made for forward delivery to the mill.

Senator WARREN. Then, as I understand you, so far as the manufacturer, the consumer of cotton, is concerned, this matter of grading and hedging and delivery of different grades, etc., takes care of itself, and even itself like water seeks its level.

Mr. GLENNY. Yes.

Senator WARREN. Am I to understand it that way?

Mr. GLENNY. You are. Now, Senator, I want to, just parenthetically, give the committee this thought.

A great deal is said and has been said about the enormous number of contracts which are put upon the market.

Senator SMITH of Georgia. The future market?

Mr. GLENNY. The future market. That is not true. The future brokers, for convenience in bookkeeping, treat each contract as a unit. As a matter of fact, the contract is originated by some one and is passed on from one buyer to the next, maybe 20 or 30 or 40 times.

The CHAIRMAN. Now, then, suppose there were a million bales, say, sold on the future market.

Mr. GLENNY. That might be divided equally by 100 or by 50, or any arbitrary figure you see fit, dependent upon how much hedging is done in the market.

The CHAIRMAN. How many times is a contract turned over, would you say?

Mr. Glenny. It depends on how much speculation there is in the market, but contracts are constantly held over and passed on to the next man.

Senator Smith of Georgia. An average division of 8 or 10 would be fair, would it not?

Mr. Glenny. I think it would be way under the mark.

,The Chairman. You don't think it would amount to as much as the actual spot produced?

Mr. Glenny. I don't believe that the number of contracts actually issued on the market are very much in excess of the amount of cotton.

Senator Smith of Georgia. For all the volume of spot cotton.

Mr. Glenny. On the contrary, I think it is probably less. I might ask Mr. Brand to state that.

The Chairman. I don't think they are at liberty to tell.

Mr. Glenny. I don't mean the official figures, but just a general idea.

Senator Warren. I may be asking an academic question, but in passing those contracts over, is there any obligation by those through whose hands they pass?

Mr. Glenny. Yes; the broker assumes all the obligation and stands between the buyer and the seller, for which he receives one-tenth of 1 per cent of the value of the cotton.

Senator Warren. And he looks out for the standing of the parties he is trading with?

Mr. Glenny. Yes.

The Chairman. Now, Mr. Glenny, if you will, give us an analysis of the spread between the New Orleans price and the Liverpool price.

Mr. Glenny. In other words, you want me to give you those things which make up the difference?

The Chairman. I do, and if you would rather make a memorandum and hand it to the stenographer, that will be all right.

Mr. Glenny. I can state it in a few minutes.

The first thing to be considered is 6 per cent on the value of the cotton landed in Liverpool. That is for loss in weight. Insurance, both marine, war, and fire in the interior, if it is being transported——

The Chairman (interposing). Now wait; you must state the percentages.

Mr. Glenny. The insurance varies. It is now, I think, a little over 3 per cent. If I am wrong Mr. Brand can correct me. That includes war risk and marine insurance. It is in the neighborhood of 3 per cent now.

The Chairman. You don't know the proportions between them?

Mr. Glenny. It fluctuates. Ordinarily the only insurance it has to carry is marine, which is in the neighborhood of 1 per cent.

Then you have selling commission by the man in Liverpool, which I think is now 2 per cent. There is the buyer's commission, the man who exports, which is about 1 per cent, $50 a bale.

Senator Smith of Georgia. You say $50 a bale?

Mr. Glenny. I mean a 100-bale contract, 50 cents a bale. And you have discount on exchange to-day, where ordinarily we had a premium.

The Chairman. Can you approximate that?

Mr. GLENNY. Approximately it is in the neighborhood of $1.25 a bale. It was very much more than that at one time, and it amounted to a very serious impediment to the exporter.

The CHAIRMAN. What is the average premium in ordinary times?

Mr. GLENNY. The average premium is in the neighborhood of—a fraction of 1 per cent, a small fraction of 1 per cent. It is almost nothing, but still it is taken into account. Then you have the expenses which are to be incurred at the point of origination of the shipment, which we figure in the neighborhood of $1 a bale.

The CHAIRMAN. How much is the freight? You have not mentioned that?

Mr. GLENNY. Freight is at present in the neighborhood of $2.50 a bale. It went as high as three dollars and something, and is ordinarily about $1.50.

Senator WARREN. Right there, about transportation—you say that ordinarily it is about $1.50, and is not higher than $2.50 now?

Mr. GLENNY. $2.50 a hundred as against $1.50 a bale.

The CHAIRMAN. Making about $12.50 difference.

Senator WARREN. That is what attracted me.

Senator SMITH of Georgia. It is $10 now, against $1.50.

Mr. GLENNY. $12.50 against $1.50, and it has been as high as $17.50 against $1.50.

Senator WARREN. I wanted to learn whether it had to stand the same spread in the freight that everything else does.

Mr. GLENNY. The 6 per cent deduction for loss in weight includes all of these advance charges in making your calculation, because it is figured on the selling price of the cotton at the point of destination. So that when you add $2.50 a hundred for freight you must also in your mind add 6 per cent to that, because you must figure on losing 6 per cent in the weight of your cotton; and you pay on the gross amount of cotton shipped.

The CHAIRMAN. Six per cent is apart from these other items, though.

Mr. GLENNY. Yes.

Senator RANSDELL. Sometimes it is over 3 cents a pound.

Mr. GLENNY. It costs in the neighborhood of $25 a bale to ship cotton.

Senator WARREN. Why is there this shrinkage in weight, especially if it is shipped by water?

Mr. GLENNY. Liverpool buys on net weight, and they have established a difference of 6 per cent for the tare.

Senator WARREN. That is arbitrary.

Mr. GLENNY. Arbitrary; yes. The actual tare is not over 5 per cent. Tare is a thing which varies in America and in Liverpool and in Havre and in other places. There is no uniformity of tare.

Senator WARREN. It is not really the net weight of shrinkage?

Mr. GLENNY. No; they make about 1 per cent on the 6 per cent, which of course the farmers pay for, because I can not offset it in shipping cotton to the other side. I must deduct it in order to get to my selling price.

The CHAIRMAN. We are very much obliged to you, Mr. Glenny. I believe we are to hear Mr. McCollister now.

Mr. GLENNY. Before I close, I do not know but what it would be just as well to make this statement, that is sections 11 and 11a are

stricken out of the bill, then there are various sections in this bill which will require amendment.

Senator WARREN. Simply to make them conform, I suppose. Will you state what they are?

Senator SMITH of Georgia. It is not necessary for him to do that. We know just as much about the details of this bill as he does.

Mr. GLENNY. I want to say, although I have said it several times, that I hope section 11 will be eliminated, and you will then give to the people who toil and raise cotton an act than which there is no better.

Senator SMITH of Georgia. I want to explain my expression of a moment ago. I do not mean that we know as much about the cotton business as you do, and I do not mean that I am not very much obliged to Mr. Glenny for his information on the subject, but what I wanted to suggest was that when it came to the language of this bill of course the solicitor of the department, who helped draw it, and myself ought to know that language and ought to be able to take it up and correct it just as well as the president of the cotton exchange.

Mr. GLENNY. And I did not mean any reflection upon the committee nor those who have charge of the verbiage of the bill, but I simply put it out in a parenthetical and cautionary way. I have made a very close study of the bill, and in going over it I find reference to sections 11 and 11a which might be overlooked. There is a possibility of it, and I don't want to take the chance of anything vitiating this law after it is passed. I don't want any technical points raised against it and bring about a condition such as we are suffering from right now.

The CHAIRMAN. I wish you would prepare a statement on that and mail it to me or to the clerk of the committee. It will be available then, and we will be glad to have your suggestions.

Mr. GLENNY. Gentlemen, I want to thank the committee for the opportunity given me to express my views. I have tried to be as concise as I could.

The CHAIRMAN. Senator Ransdell, is there anyone else now in your party?

Senator RANSDELL. I think there is no one else. Mr. Clark has told me he did not care to be heard, as Mr. Glenny has covered the ground very fully. I am assured that Mr. McCollister does not care to be heard any further, and there is no one else here from Louisiana.

The CHAIRMAN. Col. Williams has just arrived, but he is not present at this moment. We will adjourn until 10 o'clock to-morrow morning.

(Whereupon, at 1.30 o'clock p. m., the committee adjourned until 10 o'clock a. m., Friday, May 19, 1916.)

AGRICULTURE APPROPRIATION BILL, 1917—COTTON-FUTURES AMENDMENT.

FRIDAY, MAY 19, 1916.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10 o'clock, a. m. pursuant to adjournment, Senator Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Smith of South Carolina, Smith of Georgia, Sheppard, Ransdell, Thompson, Johnson, Gronna, Brady, and Wadsworth.

The committee resumed the consideration of the bill (H. R. 12717) making appropriations for the Agriculture Department for the fiscal year 1917.

The CHAIRMAN. Gentlemen, I do not know who all desire to be heard, but I want to make this statement: Mr. Calvin has discussed the cotton-futures act, which is the subject under immediate consideration, from the standpoint of the individual farmer and from the standpoint of the organized farmers, and Mr. Glenny on yesterday discussed it from the standpoint of the cotton merchant or exporter, the cotton exchange, and, I suppose, in a sense, from the standpoint of the general public. Now, it is my opinion that the subject has really been exhausted on that side, and while we are disposed to hear everybody who comes, and it is a pleasure to hear them, and undoubtedly sheds light on the subject, I hope everybody will appreciate the fact that the committee is anxious to report the bill as soon as possible. We are not going to place any limit on anybody's time, but I hope that will be borne in mind, because the subject has been thoroughly discussed from those angles.

I will ask Mr. Brand to begin.

Senator SHEPPARD. Mr. Chairman, before you do that, I want to introduce into the record a letter from Mr. I. N. McCollister, chairman of the marketing committee of the Association of State Farmers' Union Presidents. Mr. McCollister was here yesterday and was compelled to leave for home last night. It will not take but a moment, so I shall read the letter [reading]:

[Farmers' Education and Cooperative Union of America, Louisiana Division. Office of I. N. McCollister, Many, La.]

WASHINGTON, D. C., *May 18, 1916.*

Hon. T. P. GORE,
Chairman Agricultural Committee, United States Senate.

SIR: Much to my regret, I am compelled to leave for my home in Louisiana to-night to attend an important meeting of my State union, called by me as its president.

I want to express to you my great desire, as chairman of the marketing committee of the farmers' unions of America, as well as that of the cotton producers of the South (as shown in petitions from them heretofore filed with their Representatives in Congress), to eliminate sections 11 and 11a of the cotton-futures bill now being considered by your honorable body.

Some months ago my attention was called to this proposed act by Col. J. S. Williams, of Paris, Tex., a prominent member of the farmers' union in his State, as well as a progressive, extensive, and successful cotton farmer of Texas. From him and other representative members of the unions of the different States, I, as chairman, was prevailed upon to call a meeting of the marketing board of the farmers' unions of America. My home being in Louisiana and New Orleans the most central and accessible point, I called the meeting there, and it was held at the Grunewald Hotel. After an exhaustive investigation the meeting unanimously adopted the resolution which is on file with your committee, and which has been freely circulated, submitted, and unanimously indorsed by the various unions of our entire Southland. Inasmuch as this act concerns us so greatly, we trust that you will give it the most serious and favorable consideration.

For your further information I want to state that our unions are not acting in conjunction with, nor are they influenced by the cotton exchanges of this or any other country, but we are acting now, and have always been, with and through the advice and counsel of the farmers of our country and for whose welfare I trust you will eliminate from this act the two sections above mentioned and thereby give to us that free and open market accorded to all other products.

Respectfully submitted.

I. N. McCollister,
Chairman Marketing Committee Association State Farmers' Union Presidents.

Senator Smith of South Carolina. Mr. Chairman, I understand that there are going to be some replies in reference to section 11 received from the different State unions. Now, I take this opportunity of asking the committee the privilege, if they are received before the middle of next week, of having those letters or replies, in whatever form they come, incorporated in the record.

Senator Brady. I would suggest, Senator Smith, that if there be any replies that the chairman of the committee thinks should go into the record he will see that they are inserted. There may be some that would not be pertinent to the question.

The Chairman. The only point I had in mind, gentlemen, was that we want to rush the printing of these hearings, so that they can be placed on Senators' desks when the bill comes up.

Senator Smith of South Carolina. I imagine you would want to have the facts in the record, without retarding too much the progress of the bill.

The Chairman. We do not wish to withhold any of the facts. Now we will hear Dr. Brand.

STATEMENT OF MR. CHARLES J. BRAND, CHIEF OF OFFICE OF MARKETS AND RURAL ORGANIZATION, DEPARTMENT OF AGRICULTURE.

The Chairman. Mr. Brand, you may state your official position, and so on.

Mr. Brand. Charles J. Brand, Chief of the Office of Markets and Rural Organization, Department of Agriculture. I have charge of the enforcement, by direction of the Secretary, of the cotton-futures act of August 18, 1914.

Senator Smith of Georgia. May I ask, Doctor, what preparation you have had for the work you are doing?

Mr. BRAND. I am a graduate of the University of Minnesota, which is a good way from the cotton fields. After graduation there I went to Chicago and spent nearly two years doing seminar work in the University of Chicago—taking some advanced work there—and also as curator of plant economics in the Field Museum of Natural History. In 1903, something over 12 years ago, I came from that place to the Department of Agriculture, where I have been ever since.

Senator SMITH of Georgia. What class of work have you done in the Department of Agriculture?

Mr. BRAND. For quite a number of years now my work has dealt with forage plants, and later with plants that might be used for paper making. About six years ago I was put in charge of the cotton handling and marketing work, of which I have had charge ever since. More recently, three years ago, I was put in charge of the marketing work.

Senator SMITH of Georgia. You were at the head of the cotton-handling work of the department before you were put at the head of the Marketing Division?

Mr. BRAND. Yes.

Senator SMITH of Georgia. And you had had three years' experience?

Mr. BRAND. Yes.

Senator SMITH of Georgia. And your educational work had been especially preparatory for this line of work—I mean your college educational work?

Mr. BRAND. Yes. Of course I have put a great deal of energy into the work since that time.

Senator GRONNA. May I ask Mr. Brand a question in that connection? You would handle grain matters as well as cotton, would you, in the Bureau of Markets?

Mr. BRAND. My office—which is called an office and not a bureau, by the way—has charge of those features of the grain work which relate to marketing and distribution, but Dr. Duvel's office in the Bureau of Plant Industry has started many phases of work along that line in the past and is still carrying them on. It was being done before the Office of Markets was established, and Dr. Duvel is in charge of that work.

The CHAIRMAN. We expect to have Dr. Duvel here.

Senator GRONNA. I thought that was the Bureau of Standardization?

Mr. BRAND. That is called Grain Standardization—part of the Bureau of Plant Industry.

Senator GRONNA. The question I desire to ask is this: Suppose we enact this grain-grading rider, if it is put into this bill, would that come under your jurisdiction?

Mr. BRAND. That would depend entirely upon the Secretary of Agriculture, because, as I remember the rider, it gives him power to do the things provided in the bill. No determination of that question has been made so far as I know.

Senator GRONNA. Now, I would like to ask you with regard to your knowledge of grains.

Mr. BRAND. Up to the time of my young manhood and of my university course there was nothing I was in closer touch with than grain and dairy products. My father was a farmer, and as a conse-

quence I have had considerable experience in producing and selling wheat and carrying on a home dairy. Later I was manager and bookkeeper of a cooperative creamery. That was just at the time when I started into the university, and so far as grain is concerned I think perhaps the first thing I ever saw was a field of grain, and the first thing I ever learned about, botanically and otherwise, was grain. I should have gone into grain work rather than cotton work, but I was selected to take up the cotton work, and I have thrown my whole soul into it.

Senator GRONNA. So you have made a special study of grain as well as cotton?

Mr. BRAND. I would not call that a special study; I have absorbed it, although I have also made some special study of it and have a number of men under me working on it, and we are amassing a great deal of information along those lines.

Senator GRONNA. What you have learned about grain, then, you have learned largely from observation?

Mr. BRAND. Yes.

The CHAIRMAN. Doctor, you have heard this discussion, and you see the points that we are really hammering on here—old section 11, new section 11, and section 11a in the proposed act. We will be glad to hear from you concerning those points, and I think it best that you go ahead in your own way and make your statement, and then Senators will ask any questions that suggest themselves.

Mr. BRAND. The new provisions of section 11 and section 11a have been discussed so fully that they are in the minds of Senators, and it seems to me unnecessary that I should cover them further.

The CHAIRMAN. So far as I am concerned, I would like for you to make a succinct statement of the situation before any legislation was passed at all, and the evils at which this act was aimed when it was passed in August, 1914.

Mr. BRAND. As many of the Senators know, there were five chief evils that were aimed at in the way of correction by this legislation. The first was the multiplicity of standards. Second, the system of fixed differences. Third, opportunities to deliver cotton of low grades and unmerchantable qualities, as was frequently done, particularly in one of the exchanges, upon contract. Fourth, the practice of pro forma delivery. Fifth, the fact that the receiver frequently did not know until long after he was supposed to have received his cotton and had received his warehouse receipts, the grade that was tendered to him.

Those five were the chief points aimed at in the legislation, and the greatest of these, of course, were the matter of standards, fixed differences, and the delivery of unmerchantable or very poor qualities of cotton. They were not truly unmerchantable, but of such a character as to depress the value of the contract.

The CHAIRMAN. The act has corrected those evils?

Mr. BRAND. The act has absolutely corrected those evils. I think, Mr. Glenny's testimony has developed that, and the questions of Senator Smith of Georgia have brought it out clearly.

Senator SMITH of Georgia. I would like for you to discuss it too, and show why——

Senator THOMPSON. What is the importance of sections 11 and 11A, then, from your standpoint?

Senator SMITH of Georgia. Senator, won't you let him go just a little further and explain how the act has eliminated these evils to which he referred?

Mr. BRAND. The act imposes certain provisions which shall be a part of all future contracts on exchanges in America. These are not exclusive provisions; there may be other provisions in the contract, provided they are not of a contrary effect to those set forth in the seven subdivisions of section 5 of the act. The corrections were brought about through the inclusion in the contract of these provisions: First, requiring all future exchanges in the United States to use the standards established by the United States Government under the act, section 9 giving authority for the establishment and promulgation of such standards; second, by the fifth subdivision specifically excluding from delivery cotton below the value of good ordinary in the regular white grades, and below the grade of low middling in the standards for the colored cottons, as well as certain characters of cotton which are undesirable, such as gin cut, mixed packed, water packed, and other cottons, including also cotton less than seven-eighths inch in length of staple.

The inability of a buyer to know what he is receiving until some indefinite and uncertain time was reached by the sixth subdivision of section 5, which provides that five days before delivery the deliverer shall give notice to the receiver of the date of delivery, and before the date of delivery shall deliver to the receiver a certificate showing by individual bales what grades it is proposed to tender upon the contract. This provision reached that evil very directly. In order to make the enforcement of the standards possible, Senator Smith of Georgia, I believe it was, suggested the addition of subdivision 7, permitting the reference of disputes to the Secretary of Agriculture in order that there might be a uniform enforcement of the standard, and if complaints arose and parties were unable to agree as to the character of the cotton that was being delivered the Secretary might, as a disinterested party, determine the facts and issue a finding.

Senator BRADY. And you have been working under this provision of section 5 up to this time?

Mr. BRAND. Yes.

Senator BRADY. And have there been any appeals?

Mr. BRAND. Something in excess of 70,000 bales have been brought before the department in dispute.

Senator BRADY. And you find that section beneficial?

Mr. BRAND. Exceedingly beneficial; and I think the trade considers it beneficial, because we find that spot merchants and mills and others are asking that that same privilege be extended to them. They do not understand why future brokers should be permitted to have their disputes determined by disinterested parties and they not.

Senator GRONNA. That word "beneficial" may mean many things. What do you mean by that?

Mr. BRAND. I mean, Senator Gronna, that it has resulted in a more uniform application of standards for the impartial benefit of every owner of cotton, beginning with the producer. It has not reached the producer as fully as it would if the cotton standards act which was discussed yesterday were passed, but nevertheless it has

percolated down through the whole trade, and the standards are so generally used——

Senator GRONNA. Has it benefited the farmer? Has it been effective in the way that it has increased the price to the farmer?

Mr. BRAND. Of course, we do not deal so exclusively with the prices——

Senator GRONNA. Oh, yes, you do. That question can be answered.

Mr. BRAND. It is distinctly beneficial in this respect——

Senator GRONNA. It is the question of prices we are after.

Mr. BRAND (continuing). That he receives more generally than before the true difference in value between the grades that he offers and the middling grade. For instance, we carried on a very extensive survey throughout the South, in which we sampled more than 80,000 bales of cotton in 70 markets. We found variations on the same grade on the same day in the same town of from $2 to $19 in the price paid. We have been able to utilize the standards to reduce such inequalities.

Senator GRONNA. It has removed the differences, has it?

Mr. BRAND. It has brought about a discrimination in favor of good cotton and against poor cotton in a proper ratio, according to the differences established by the average from the 11 spot markets.

Senator GRONNA. And it has also done away with these differences in the different markets on this particular cotton?

Mr. BRAND. It is working that way, Senator, but those things go very slowly.

Senator GRONNA. What has been the effect? Have the prices gone up or down? Has the effect been to cause a depression of the price on that particular cotton, or has it been to raise the price?

Mr. BRAND. The effect has been, Senator, to give to a farmer who produces middling cotton the price of middling cotton; to a farmer who produces middling fair the price of middling fair. Formerly they were not so treated.

Senator GRONNA. I do not think you understand me. You are speaking now of those 70,000 bales. Were they middling cotton?

Mr. BRAND. No; they were of all possible grades, Senator.

Senator GRONNA. That is what I had reference to.

Mr. BRAND. We sampled, without choice, in each of these markets on every Thursday 50 bales of cotton just as they came, in order to get an average run. We learned from the farmer the price he received, and frequently we went further, and learned from the merchant the price he received, and in the comparison we found these very serious inequalities. We found cases where a man received as much as 2 cents a pound less than the cotton was worth.

Senator GRONNA. And did you find cases where he had received too much?

Mr. BRAND. Very rarely. In a few cases we have.

Senator SMITH of South Carolina. In order that those who are not familiar with cotton may understand your statement thoroughly, I want to state to Senator Gronna and others that Mr. Brand is approximating what we, the farmers, were driving at. Middling is the basis, the standard of comparison, like the yardstick. Everything is measured by that, above it and below it. Now, when you have required the seller to deliver within the Government standards down to good ordinary, and have established what those grades are—and by

the terms of this bill we have set these standards—what effect has that had upon middling as to standards? Has it caused tht exchanges to raise the price of middling, knowing they would be forced to deliver one of the standards as a substitute if they substituted anything, or has it tended to lower middling because they knew they would be forced to deliver one of these other grades? What effect has it had upon middling? And then meddling in turn affects very other grade.

Mr. Brand. I think the best answer to that would be a comparison of the situation as it existed before the act went into effect with the situation as it is to-day.

Senator Smith of South Carolina. We could hardly arrive at that either, because of the war conditions.

Mr. Brand. We get a general indication, I think, of the situation.

Senator Smith of South Carolina. We could arrive at that this way, Doctor, by taking the difference between the value of middling to-day, the value of strict low, the value of low middling, the value of strict good ordinary, and the value of good ordinary, as compared with middling—the differences. Now, if the average differences are less what would you infer from it?

Mr. Brand. That is regulated by the supply of the different grades in the particular crop. We do not know absolutely, of course, what that amount is, but we are able to judge, because of the composite character of the New York stock. The New York stock now is about 80,000 bales, about 20,000 of which are middling cotton. Hence 60,000 bales are of grades other than middling.

Senator Smith of South Carolina. One of the best years you have ever had to know the relative value of middling as compared with the other grades as an extreme case would be 1914, because you had a predominance of the lower grades over the higher grades. The year 1915 was exactly the opposite, because you had a predominance of the higher grades over the lower grades. A comparison of those two years with two years like those before your law went into operation would you give us a pretty good idea.

Mr. Brand. I think we get an index from this, Senator. In spite of the low-grade crop last year the quality of the New York stock was raised, the trade says, an average of 33 points. I think that would answer the question, that it did increase the value. A practical comparison can be made by a comparison of old and new style contracts during the period when both contracts were in effect. It so happened that the exchanges, for their own convenience, put in the new-style contract before the act went into effect. They believed it would be wise to work up to it gradually. The old-style contract was at a constant discount in New York as compared with the new-style contract—the contract which the act prescribes. That difference ranges, as I have it before me here, from 6 points to 56 points in favor of the new-style contract.

Senator Smith of Georgia. Which means that cotton sold higher under the new contract than it did under the old?

Mr. Brand. Yes, sir.

Senator Smith of Georgia. And therefore the price of cotton rose under the new contract, and the farmer got the benefit of it, and so does everybody else?

Mr. Brand. I think they are very distinctly benefited.

A further point in this connection is this: In the New Orleans market, where the standard is perhaps best understood, the range of differences of the grades below middling is wider than the range of differences of the grades above middling. In other words, taking last Saturday, May 13, as a basis, the average value of middling in the 11 designated markets was 12.80 cents. Good ordinary, which is four grades below, is 177 points off. The points on for middling fair, the fourth grade above, is 97. That is the average difference for the spot markets used as a basis of settlement for the fifth succeeding day; that is, the basis of settlement to-day.

With respect to the operation of the standard and its acceptance by the trade, I will say that no cotton standard has ever had such a general acceptance as the one that was prepared under this act. We utilized the expert services of both the New Orleans and the New York exchanges, together with those of our own experts, and by the joint efforts of the trade and ourselves I think we have obtained the best standard for American cotton that was ever devised. As evidence of that, I may say we have up to this date distributed a total of 722 sets of that standard in a little more than a year. The sales of complete sets of white grades, of which there are 9, number 618; fractional sets of that standard, 72. We have recently established and promulgated the standards of color, 11 in number, based on the same 9 grades, and although a very short time has elapsed we have thus far sold 32 of those sets, a total of 722. We have yet, I think, to hear a complaint on that standard.

Senator SMITH of Georgia. Dr. Brand, has this new contract eliminated the five elements of injustice that formerly existed, especially in the New York Cotton Exchange, in the conduct of its business—the five elements that you described?

Mr. BRAND. It has. There is one slight modification that should be made in that answer, which is this: As a matter of fairness it was deemed necessary to permit parties, in case cotton was found undeliverable, to offer cotton in replacement of cotton that was refused delivery, as a result of which the time is somewhat extended in those cases where replacement disputes, as we call them, are brought in. To that extent, which is not a great extent at all, the time is extended beyond what is really fair in the closing out of a contract.

Senator SMITH of South Carolina. In a word, you have forced New York, through this contract, to accept commercial differences as against the fixed differences?

Mr. BRAND. The act has had that effect.

Senator SMITH of South Carolina. And the Government standards against their standards?

Mr. BRAND. Yes, sir.

Senator SMITH of South Carolina. That is the extent of the reformation?

Senator SMITH of Georgia. Have you brought about the cessation of the pro forma deliveries?

Mr. BRAND. Yes; except to a small extent.

Senator SMITH of Georgia. Is the number of disputes increasing or decreasing?

Mr. BRAND. They are decreasing.

Senator SMITH of Georgia. Is it not true they are very greatly decreasing?

Mr. BRAND. They are.

Senator SMITH of Georgia. And that the recognition of the standard now is causing tenders up to the standard, and thereby avoiding any continuation of the disputes and also avoiding the additional time to substitute a cotton really not up to the standard.

Mr. BRAND. That is a perfectly fair statement, Senator.

With reference to the question of the time, we have to date had something like 1,100—I think it is 1,091—disputes submitted to us. The average time for determining disputes and rendering a decision to the parties in all cases where the papers were received in proper form was five days. The average length of time where we had to send the papers back to the parties to have them amended or corrected was 10 days. In the cases where the amended papers were received the average time was three days in determining the disputes, which is very prompt determination.

The CHAIRMAN. Dr. Brand, I believe you answered Senator Brady by saying 70,000 bales had been involved in your adjustments. That does not signify a great deal, because that might have been in one adjustment. My understanding is that there have been 1,100 disputes?

Mr. BRAND. Practically 1,100. There have been received to date from the determination of disputes, as costs, from the parties a sum of practically $25,000. I have not the very last figures on it. The last figure I had was several months ago, and it was $23,000 and some odd, so it is substantially $25,000 that has been received from the determination of disputes.

Senator SMITH of Georgia. What was the average delay in case of disputes before the purchaser knew the exact cotton he was to receive?

Mr. BRAND. Within the five days intervening between the time of giving notice of intention to deliver and the date of delivery there must be furnished a certificate, as I stated, showing the grade of the individual bales. Subsequent to that time five days are allowed to submit a dispute to the department, except that in meritorious cases the rules and regulations provide that an extension may be given, but the parties must submit a reason for requesting an extension.

Senator SMITH of South Carolina. Before you leave this subject, in order to sum it all up—the present law allows the seller to deliver in settlement of a basis contract any grade standardized by the Government. If he sells the basis middling he can settle that contract by delivering all good ordinary if he sees fit to do so, or some or any of the nine grades, aggregating the full amount of his contract?

Mr. BRAND. Yes.

Senator SMITH of South Carolina. Now, in case one buys basis middling and demands a specific fulfillment of his contract, or demands the cotton, the seller in delivering this, if a dispute arises as to the grade and consequently the price involved, appeals to the Secretary of Agriculture for a settlement. That is the real nature of this contract?

Mr. BRAND. In a practical way this is what occurs. The tenderer delivers his cotton. The receiver goes over his certificate of grade and compares it with samples which are turned over at the same time, and he agrees or disagrees as to the declared quality of each of those bales.

Senator SMITH of South Carolina. In case he disagrees——

Mr. BRAND. In case he disagrees—we will suppose he disagrees on 50 bales. He submits those 50 bales or, if he pleases, the whole 100 for the department's determination. Our examiners, who are expert cotton men, class that cotton, and, taking into consideration the disputed points, a finding signed by the Secretary of Agriculture is issued showing what the true grade of each of those samples is.

Then the settlement is based upon the average differences in the 11 spot markets, and those are determined every day and are telegraphed to the department and to the future exchanges, and they ipso facto are the differences upon which settlement is made.

Senator SMITH of South Carolina. You have answered my question directly. The nine grades standardized by the Government are tenderable upon a basis contract, and in case of dispute the Secretary of Agriculture determines for or against the party claiming the difference. Now, in the spot markets the price of cotton is controlled in your experience by what factor? As the bill provides, you have 11 bona fide spot markets. The price of cotton in those spot markets, according to your experience, is controlled by what market and where?

Mr. BRAND. Of course, the local price in each of those spot markets is determined by the differences actually prevailing in those markets and the character of cotton produced in that section of the belt.

Senator SMITH of South Carolina. And not controlled by the future market?

Mr. BRAND. Not in the least. There is a reflexive relation, but they are not in any sense controlled. For instance, just to show the variation, which is due largely to the character of cotton in the different sections of the belt, we can compare—take New Orleans, where a rather better quality of cotton is received. The difference in value of middling fair and middling is 112 points, whereas at Little Rock it is only 62 points. The differences between markets which receive the same quality of cotton are practically nil. For instance, Dallas is 100 points on; Houston, 100 points on; and so on, dependent on the differences in the individual markets, the character of cotton that is offered for sale on that market, and the supply and demand.

Senator SMITH of South Carolina. We will have to clear that up, for the reason that you would have another standard of comparison besides your standard grades, because you speak of a better quality of cotton where you are settling, and according to Government standardization you can not have any better quality of cotton to determine than the quality of your standard grade.

Mr. BRAND. Senator, our standards are grade standards and color standards. Thus far those qualities are the only ones that have been standardized. A grade is based upon the amount of foreign matter in the cotton largely, and slightly by the color.

Senator SMITH of South Carolina. But still it is the standard.

Mr. BRAND. It is the standard for foreign matter in the cotton. It takes no account of length of staple, for instance. In the section that Col. Williams comes from—Paris, Tex.—the average length of staple will be an inch and a sixteenth, or an inch and an eighth, maybe. That would be reflected in the price of the middling grade in the neighboring markets.

Senator SMITH of South Carolina. Then, according to your line of argument, you would necessarily have to admit that your standard was not a standard if a middling cotton in Texas was better than a middling cotton in South Carolina. I would not know what I was buying or selling if your standard did not standardize. Now, staple cotton is one thing, and ordinary upland is another, but taking it for granted that your standard is the standard of comparison and that they vary in the different markets according to certain locations and certain circumstances, how would I in an appeal from a grade bought in New York—say that I buy middling basis at 10 cents—I come to settle, and you appeal to 11 spot markets, which, according to your own statement, are not affected by New York or New Orleans—how would you settle when the market in which I am to settle is not governed by the markets from which I am appealing in the initial price?

Mr. BRAND. I think your understanding of that matter, Senator, may be slightly modified by this fact: The law does not in any manner affect the price of middling cotton; that is determined solely by the sales of spot cotton in these markets. The law merely determines what in spot transactions are the differences between the middling grade and the other grades.

Senator SMITH of South Carolina. Let us see. There is another grade substituted, and I want to get the value of my grade as compared with the price of my contract for basis in New York in these different markets. They fluctuate and are not controlled in middling or any of the grades. Then when I appeal to a market that is not affected by New York or New Orleans in the prices of their grades, when I come to settle how can I compare a market that is not controlled by the other markets in the settlement of my differences in the grades?

Mr. BRAND (exhibiting a chart). I think perhaps this shows the relationship better than I can tell it between the value of the contracts in the two markets and the average price of middling in the designated spot markets. The heavy line shows the value of middling in the designated spot markets. The next line shows the New Orleans future prices. The highest line, in dots, shows the New York future price—practically always bearing a very close and practical relationship with the price of spot cotton in the spot markets.

Senator SMITH of South Carolina. Then you would be led to believe that those future markets either affect the spot markets or the spot markets affect them; that is, that there is a fixed relation all the time?

Mr. BRAND. There is a reciprocal effect. The future markets reflect all of the information in the greatest detail that can possibly be secured about cotton conditions.

Senator SMITH of South Carolina. In your opinion, which governs—the future market or the spot market?

Mr. BRAND. I think, since the act went into effect, the spot markets have decidedly governed. They have had a very much greater effect.

Mr. GLENNY. If I may be permitted, I think I can make it clear, Senator Smith, by one statement. The New Orleans market quotes upland cotton not on account of the quality of the cotton. A premium is given for the better quality of cotton no matter what the grade might be. In other words, staple demands a premium that is not taken into account in the quotation. It is quoted on upland cotton per se; staple cotton is not quoted, but a premium is obtained

by the seller for the character of the cotton which is sold in that market. Therefore those quotations, which represent a higher price for low middling and good ordinary and a higher price also for the upper grades in New Orleans, indicate that the market there is producing a better price, if anything for the various grades to the farmer than in the markets where these standards are not so well known and where there is no future market. In other words, New Orleans is a primary and an export market, and every grade brings its value; whereas the interior markets, not being export markets and being simply markets, range——

Senator SMITH of South Carolina. Mr. Glenny, I have been in the cotton business all my life, and of course I understand thoroughly the difference between upland cotton—which you and I grade according to the foreign matter—and the staple cottons which, from the lowest to the highest, average a longer staple and are used in a different form of manufacture from the others. That is what I was saying to Mr. Brand, that we have a standard for the ordinary universal crop of upland cotton regardless of its staple. I think your seven-eighths inch in the bill will work a hardship.

Mr. GLENNY. The law requires that you quote on upland cotton. Upland cotton is not necessarily seven-eighths inch; it is an inch. The seven-eighths inch is the minimum length, and as a matter of fact there is very little seven-eighths inch cotton in the New Orleans market, or any other market as compared to the entire crop, and therefore it has an infinitesimal influence.

Senator SMITH of South Carolina. I was just bringing out the idea that either the spot markets to which you appeal must be controlled by the future market or ths future market controlled by the spot market, or both control each other, or you could not appeal from one to the other.

Mr. GLENNY. But the law of supply and demand must control both, and that is the real fact of the matter.

Senator SMITH of South Carolina. My entire fight on this question has been to have the law of supply and demand operate, and not the law of "supply and the man."

The CHAIRMAN. Is my understanding correct that since this act went into effect futures have led spots slightly in the market, and that prior to the passage of the act futures ruled lower than spots, as a rule?

Mr. BRAND. That varied greatly.

The CHAIRMAN. I understand that. I do not undertake to interpret the significance at either time.

Mr. BRAND. But as a rule futures in New York are and should be higher than spots in the South.

The CHAIRMAN. And that has been the tendency?

Mr. BRAND. Yes; with some variations. But since the act went into effect the relationship has been very close. While futures in bull markets have been above spots, they have been at all times more nearly the value of spots than was formerly the case, thus making the future market a better hedging contract.

The CHAIRMAN. Maintaining a closer relationship?

Mr. BRAND. A closer relationship; yes.

The CHAIRMAN. Now, Dr. Brand, you say the act has corrected the five principal evils to correct which it was enacted. I will now

get you to state to the committee the particular evils to which the old section 11 was addressed.

Mr. BRAND. The origin of old section 11 was stated very clearly by the solicitor yesterday. The three points that he made were believed at that time by the authors of the bill in both the Senate and the House to have a great deal of merit, and it was inserted for that reason, to prevent the evasion of the law, to prevent the transfer of the business——

The CHAIRMAN. You mean to Canada?

Mr. BRAND. Yes, or elsewhere, and to work toward the bringing about of a universal standard for American cotton.

The CHAIRMAN. Some of those objects it has accomplished and some it has not; is that the idea?

Mr. BRAND. It has certainly prevented the transfer of the business to any foreign country. That is what is complained of in part with regard to it. It has probably resulted in the prevention of evasion of the plain provisions of section 5. Persons would rather comply with them, especially as it is a highly commercial and valuable contract, than attempt evasion, but it has had its effect in that respect. Thus far, it has not resulted in the adoption of the standard universally, though I believe it has had a very beneficial effect in bringing the whole cotton trade of the world to a point where it may adopt a universal standard.

The CHAIRMAN. Now, is it the bringing about of that end for which section 11 and section 11A are designed?

Mr. BRAND. It is.

The CHAIRMAN. Now, I wish you would discuss their fitness to bring that about.

Mr. BRAND. The trade, upon the going into effect of the act, immediately complained to the department first, and later to Members of both the Senate and the House, regarding the effect of section 11, saying it gave to foreigners privileges that were not accorded to American cotton interests. They complained especially and asked for a modification with respect to hedging, stating that it was highly desirable that they be able to hedge their sales for export in the market nearest the point of consumption or delivery. The department made a very careful investigation of this matter, and at the request of the Members of Congress drew provisions which are incorporated in sections 11 and 11A as they stand in the bill now before the committee to reach that situation, to permit of hedging against sales of spot cotton from this side of the water, either to England or the Continent, but particularly to England. It was recognized that foreign exchanges might not see fit, even so, to adopt the contracts or to adopt the standards, and therefore in order that our people should not be at a further disadvantage section 11A was inserted so that our people would have the hedging privilege and people across the water would not have it.

Senator SMITH of Georgia. Would not have it here?

Mr. BRAND. Would not have it here; they would have it in their own markets. We have been studying the economics of that question and we are inclined to the belief—none of us absolutely know these things—that the fundamental economics of the situation is that they should hedge those transactions in their own markets and we should hedge in our own markets, except so far as it relates to hedg-

ing privileges which you desire to have accorded and which are accorded by the bill as it stands.

The question was discussed yesterday as to whether or not any foreign exchanges would comply either with the contract or with the standard. Our men, when they went across the water, were at a very great disadvantage. They were repeatedly asked: "Now, suppose we do adopt your contract, what can you do for us?" We were compelled to say: "We can not do anything for you. The law is the law, and unless you comply with section 11 as it stands—by adopting a section 5 contract, with the exception of the seventh subdivision thereof—nothing can be yielded. You have 'come across' and we can not." That is the sum and substance of the situation.

We believe, and we have very good reason for believing, we are told by spot interests and by others, that if we are in a position to recognize the foreign exchanges upon the adoption of the standard there is a strong probability they will adopt it. The first new proviso of section 11 provides a basis for such action by giving authority to the Secretary of Agriculture to determine the facts as to the degree of compliance with section 5 of the contracts extant on foreign exchanges; and if they are substantially equivalent to recognize them as such, which removes the obstacle except as to the adoption of the standard. Every exchange is on record in favor of the standard. We believe that if our men had been able at that time to say, "Gentlemen, if you will adopt the standard, the freest possible trading can go on," they would have adopted it. In fact, the matter was brought to such a point, even in spite of this great impediment, that it looked very much as if the standard would be adopted. However, there are always conflicting motives, and they got in their work at the last moment, so that final adoption was not secured.

We do believe very firmly that, with the new proviso in section 11, we have an olive branch which will be very, very helpful in securing adoption. And I want to say, in answer to Mr. Glenny's statement yesterday about coercion, that the thought is not coercion. The thought is to give sufficient latitude, so that we can recognize what we believe to be a very good contract in the Liverpool exchange. It is not intended to be coercive at all, but to give authority to recognize the existence there of a contract which is a desirable contract and which to all intents and purposes avoids every one of the evils which this act is aimed at.

Senator BRADY. You are particularly discussing sections 11 and 11A now?

Mr. BRAND. Yes, sir.

Mr. GLENNY. Mr. Chairman, may I just answer that, as my name is referred to, as a matter of personal privilege? I shall not insist, of course.

Senator SMITH of Georgia. I think you had better wait until he gets through.

Mr. GLENNY. I just want to keep the record clear, Senator. Section 11A is much more coercive than section 11, and it certainly is not an olive branch, as Mr. Brand puts it.

Mr. BRAND. I was referring to the first new proviso of section 11 and not section 11A.

Senator SMITH of South Carolina. Since the fear of removal of exchanges to Canada, for instance, has been proven baseless, the only

object of sections 11 and 11A is to induce foreign countries to accept our form of contract, which looks to the acceptance of universal standards?

Mr. BRAND. You have stated that there is no such danger. I think that absolutely the contrary is true. The danger is just as great as it ever was, and there are at least three very large firms in the New York market to-day who by their constant actions indicate they would not hesitate to accomplish the purposes this section was originally aimed at. I do not think there is the slightest doubt of that. The gentlemen of the Treasury Department who enforce the law in that market are here, and they know better than I, but that is my strong impression, that such firms as are opposed to the law, with which they have thus far refused to comply, might be the very first to transfer business to Liverpool and thus evade the law.

Senator SMITH of Georgia. But is not this true, Mr. Brand, that at the time this bill was passed there were a very large number in New York who believed it would be impossible to do business under this contract and were disposed to go over and organize in Canada; but forced as they have been by this act to do business here, they have learned that they could do business under the act and a large part of the danger that section 11 was intended to protect us against no longer exists?

Mr. BRAND. I think that is correct, Senator.

Senator SMITH of Georgia. A few firms might do their entire business abroad, but there has been no general removal of exchanges from the United States?

Mr. BRAND. These firms that do this could only bring that about if in their utilization of foreign markets they introduced features of competition which forced others to do likewise. I think you are quite correct in your statement that it has lessened that danger.

The CHAIRMAN. Since the particular dangers that they dreaded at that time have passed and they feel secure they do not seem to be much concerned about what other dangers still remain, do they?

Mr. BRAND. That is usually the case, Senator.

Certain points in the Liverpool contract were cited which it was believed could not be overcome. I think that the latitude given by the act as now drawn is such that it gives an ample basis for the recognition of the points that were brought out particularly with reference to the question of fair staple. I think it wholly possible to avoid any difficulty from that angle.

Senator SMITH of Georgia. Now, do you see any harm that has come from section 11, except its interference with hedging abroad by American cotton merchants?

Mr. BRAND. Hedging abroad by American cotton merchants has been interrupted, but under the conditions which prevailed during the past number of months it has done no harm even in that respect, as our own markets were to be preferred under the conditions that existed.

Senator SMITH of Georgia. Even to the cotton merchants?

Mr. BRAND. Even to the cotton merchants. In other words, the situation was such that it was much more advantageous to hedge in New York than in Liverpool.

(At this point the hearing was suspended for 15 minutes to permit the members of the committee to respond to a call of the Senate.)

The CHAIRMAN. Mr. Calvin made this point the other day, and it made an impression on me at the time, that the old section 11 prevented hedging on the part of cotton merchants in Liverpool and other foreign exchanges. He made the point that the new section 11 and section 11A wolud permit hedging against spot cotton, but by limiting the activities to the selling side it would have a tendency to load down those markets and preclude purchasing. I want to hear you discuss that point.

Mr. BRAND. Mr. Calvin's statement was incomplete in that respect; no doubt it was merely a lapse in the course of the giving of evidence. He probably realized as well as I do that for every sale there is a purchase when the month of settlement comes, so that the sales all balance the purchases.

The CHAIRMAN. Could you give that a little in detail, just how a transaction would work out in that way?

Mr. BRAND. If an exporter on this side of the water sold 100 bales for January-February delivery, when the cotton arrived on the other side of the water he would buy up a corresponding contract, so that the two would exactly equalize and offset each other.

The CHAIRMAN. Now, do sales of futures and spots balance each other in that way?

Mr. BRAND. Yes; always.

Senator SMITH of Georgia. Does this section 11 allow him to cover his sale by subsequent purchases?

Mr. BRAND. It does absolutely; it gives full authority.

The CHAIRMAN. I was very much impressed with that point when he made it.

Senator SMITH of Georgia. I did not know that was in the bill; I thought that was a sound criticism.

The CHAIRMAN. He made the point that that would load the foreign market down with sales, which is a bear influence, and prohibits the purchase of futures, which is, of course, a bull influence.

Mr. BRAND. The language is really in the second proviso of section 11. It is as follows [reading]:

And provided further, That no tax shall be levied under this act on any order mentioned in this section if, first, such order and the contract made in pursuance thereof be sold for hedging the purchase or sale of spot cotton shipped, or to be shipped, from the United States to any foreign country, or the shipment or consignment for sale of spot cotton from the United States to any foreign country, whether such order or contract be the one given or made originally, or subsequently given or made for a purchase or sale to be substituted, for hedging the purchase, sale, or shipment or consignment for sale, of spot cotton, or be for the liquidation of any such transaction, and, second, a report of such transaction, including the shipment of the cotton involved, be made to the Secretary of the Treasury at such time or times and in such form as he may require.

Senator SMITH of Georgia. That is perfectly clear.

The CHAIRMAN. As a matter of fact, the practical operation of sales and purchases——

Mr. BRAND. Exactly offset each other.

The CHAIRMAN. Now you may proceed, Dr. Brand, where you left off.

Mr. BRAND. The fear has been expressed that as a result of section 11 and section 11A the cotton supremacy of the United States might be in some way sacrificed. I do not believe there is any reason to fear that. American cotton is the best cotton in bulk that is pro-

duced on the earth. While there are many improvements to be made, still in the method of dealing with our cotton crop, it is sold more economically than any other, and when all is said and done every country on earth that uses our cotton has spent millions of dollars trying to get away from the thralldom, as it is sometimes expressed—of American cotton as to quality, and they have not succeeded. The British Cotton Association has spent millions of dollars throughout the British possessions in Africa with the definite and expressed purpose of being free from American supplies. Up to this time I may say that the amount that has been produced is insignificant, and I do not think that we are by this act going to overcome any fundamental conditions which will in any way deprive us of our cotton supremacy. I do not think we ought to think that for a moment.

Senator SMITH of Georgia. Mr. Brand, have you made a comparison of Liverpool prices on the exchange and prices in the United States on the exchange, taking into consideration at the same time the cost of placing American cotton in England, to see whether the relative prices in the two exchanges were covered by the cost of transferring cotton, or not covered by it, during the past 12 months?

Mr. BRAND. That goes back, Senator, to the question as to whether or not there is or has been a shipping basis between markets or between a producing country and a consuming country or consuming market. With respect to that I may say that there is practically never a shipping basis anywhere. In Senator Gore's State of Oklahoma, where we carried on a very complete study of the matter, the difference in price between producers in Oklahoma and Galveston quotations was practically never sufficient to pay the freight from any Oklahoma point to Galveston.

Senator SMITH of Georgia. Was that on the same grades in Oklahoma and in Galveston?

Mr. BRAND. It was supposed to be: I won't say that it was.

Now, with respect to the prices, I can show that more completely by reference to the chart. I may say that we are not going at this thing in a superficial manner. I think we are going at it thoroughly, and we are doing it with a great sense of the responsibility and with due regard for the great value of the crop we are studying.

The highest line on this chart shows the price of Liverpool spots. The next line shows the value of Liverpool futures, showing the constant relationship in the fluctuations of prices of Liverpool spots and futures, showing the same wide variation between the two. The heavy line in black shows New Orleans spots. We adopted New Orleans spots because they reflected with very considerable accuracy the true value of middling cotton. The New Orleans market has lots of good cotton men in it, has always complied with the law, and as a matter of fact carries on its quotations in a very accurate fashion. We had occasion to investigate that point in designating that market as a spot market, and we found these to be facts, so I have no hesitancy in stating them. So we have adopted in this case the New Orleans spot price in order that we might compare it with the New Orleans future price, which is the broken line here. There has been some change in that relationship.

The next solid line is the New York spot line. We made that line light because spots are relatively unimportant in New York. The

New York futures line is the dotted line at the bottom. That gives in a graphic way the relationship between prices of futures and spots in all of the three great future trading markets throughout the period prior to the war and brings it down to July 31, 1914.

Senator SMITH of Georgia. This was prior to the war, not since?

Mr. BRAND. Yes; prior to the war, beginning in August, 1913, and ending in July, 1914.

On the next chart I will show you—the curves are so long we had to put them on two charts—the conditions that have prevailed since the war, and in that connection also since the act went into effect. Here we have adopted the same method of showing Liverpool spots, the line being higher than futures. We were unable to get Liverpool futures for the current month until the 1st day of May. This is all 1915. Here [pointing to December, 1915] we begin to see the great variation of the price of Liverpool spots and futures as compared with American spots and futures, due, as was shown yesterday by Mr. Glenny, to variation in freight rates, insurance, war risk, exchange, etc.

Senator SMITH of Georgia. What relation has the future market in the United States borne to the spot market, as a rule, since the enforcement of this contract in the exchanges?

Mr. BRAND. If you have carried in your mind the situation as to the width between the two from the former chart and compared it with this, you will see that here they run very closely together.

Senator SMITH of Georgia. But the future market usually has been above it?

Mr. BRAND. Above, as should be the case, because it involves the delivery at a more distant point.

Senator SMITH of Georgia. In your other chart the variation was great, and the future market was usually below.

Mr. BRAND. Sometimes below it, but it was very erratic. It is very steady now. There is a slight fluctuation noticeable in the case of New Orleans, due to the fact that the future market closes after the spot market.

Senator SMITH of Georgia. Now, coming down to this recent period, have you any figures prepared showing the difference between the New Orleans future market or spot market and the Liverpool market; and have you also at those same dates the cost of delivering the spots in Liverpool to show whether the Liverpool market was substantially above American spots plus the cost of delivery, or vice versa?

Mr. BRAND. We have some figures showing the costs involved. We receive regularly from the forwarding agents the price for their berth rates; we also know the amount of war-risk insurance and regular insurance. We have taken certain dates in order to make a comparison as to exchange rates, and we have prepared some figures of that sort. If the Senator wishes I shall be glad to present them at this time.

Senator SMITH of Georgia. Yes. I want the record to show the Liverpool rates compared with the New Orleans rates. I believe you use them as a rule?

Mr. BRAND. Either New York or New Orleans.

(The figures referred to above are here printed, as follows:)

The following statement from Service and Regulatory Announcements No. 9, issued by the Office of Markets and Rural Organization, is of interest in this connection:

In connection with the consideration of sections 11 and 11A of H. R. 11861, it is believed that you will be interested in the results of a study by this department of the causes of the wide differences prevailing within a recent period between the prices of middling cotton in New York and in Liverpool, amounting, it is alleged, to as much as 3¼ cents per pound at times. This information is given as of February 5, 1916. From the investigations of the department it appears that the following factors were largely responsible for the wide differences in price.

1. *The great difficulty of obtaining hold space and the consequent high freight rates.*—The department receives regularly from one of the large ocean freight brokers and forwarding agents their berth rates from New York. The following brief tabulation shows comparatively conditions before and since the commencement of the war. Only quotations on cotton freight are given:

Rate on compressed cotton per 100 pounds from New York.

	To Liverpool.	To Rotterdam.	To Bremen.	To Havre.	To Genoa.
Jan. 3, 1914	\$0.28	\$0.25	\$0.22	\$0.30	\$0.40
July 3, 1914	.20	.25	.20	.21	.22½
Jan. 2, 1915	.75	1.20	[1]	1.00	1.00
June 5, 1915	1.25	2.00	[1]	1.50	1.25–1.50
Jan. 22, 1916	2.50	2.50	[1]	2.00	1.35

[1] No quotation.

During the period covered by the table, cotton rates have gone from about \$1.25 a bale to \$12.50 a bale from New York to Liverpool and from about \$1.75–\$2.50 a bale to \$15 from New Orleans to Liverpool.

2. *Unfavorable sterling exchange rates.*—Before the war sterling exchange was usually at a slight premium, perhaps on an average one to two Liverpool points, equal to two to four one-hundredths of a cent. Now sterling exchange is at a discount. For instance, for the period from December 1 to 18, 1915, the average discount was 0.27 of a cent per pound of cotton; during the remainder of December there was some improvement and the average discount was 0.2 of a cent.

3. *High rate of insurance.*—Before the war, during the period from December 1 to December 18, 1913, the insurance per pound was 0.07 cent. The rate for the same period in 1915 was 0.38 cent.

Comparing the combined cost of exchange, freight, and insurance for the period from January 1 to 21, 1914, with the same dates in 1916, the results, in terms of the price of cotton in cents per pound, are as follows:

	1914	1916
	Cent per pound.	*Cent per pound.*
Insurance	0.07	0.38
Freight	.28	2.47
	.35	
Exchange	[1] .06	[2] .18
Total	.29	3.01

[1] Premium. [2] Discount.

4. *High interest rates in foreign countries.*—This condition makes it uneconomical to hold unused stocks of cotton in those countries.

5. *The cutting off of continental European markets.*—This has been incident, of course, to the prosecution of the war and the difficulty of moving cotton has increased as the activities have become greater.

6. *The tenacity with which cotton is being held all along the line in this country.*—This is due to a belief that prices are destined to go still higher. The pronounced falling off in exports began with the period of relatively high

prices initiated in October, 1915, the effects of which became very apparent in November last.

7. *The comparatively large stock of cotton abroad bought at the very cheap prices that prevailed during the marketing season of 1914.*—This is especially true of England. While she still has 8-cent cotton, she will be loath to pay from 15 to 18 cents for this year's growth. As a result of this condition, English spinners apparently are pursuing a hand-to-mouth policy of buying, and are not acquiring large stocks of cotton, as heretofore has been their custom.

8. *The eligibility for rediscount under the provisions of the Federal reserve act of agricultural paper, secured by staple products.*—This has made it possible to obtain cotton loans on relatively favorable terms.

9. *Reduced buying in foreign countries of American cotton, in order to keep down the enormous and growing adverse trade balance.*—Between February 18 and July 31, 1914, the United States exported to Liverpool 698,819 bales of cotton. During this period the cotton futures act was not in force and a state of war did not exist. Between February 18 and July 31, 1915, this country exported to Liverpool 1,336,856 bales. During this period the cotton futures act *was* in force and a state of war *did* exist; but prices were low.

In the months of September, October, and November, 1915, the Liverpool market was low in comparison with New York. Under those conditions, even if section 11 of the act had not been in operation, it is improbable that American merchants would have made consignments to or have hedged their cotton at Liverpool, as New York was relatively the higher market.

As a matter of fact, there has been continuously on hand in Liverpool sufficient cotton to meet the requirements of English spinners. Now, however, when the stock is beginning to diminish, it is apparent that English buyers are becoming active on this side of the water, and exports, when really called for, are actually made.

There is also another important motive not noted above which the British merchant may have for not having imported the usual amount of cotton recently. He is thus able to valorize at a high price the stocks on hand bought at relatively low prices during the latter part of 1914 and the first half of 1915. He has been able to get more for what he had by keeping other cotton from coming in.

Senator SMITH of Georgia. Whatever you use, the cost of transportation will not pay the difference, being more than the difference.

Senator SMITH of South Carolina. What he is getting at is that the 2 cents imposed on free an unlimited selling of hedges on contracts abroad has had no effect upon the relative value of cotton in this market and in the European market. Now, it is known to us all; we can get the freight rates. We can get the insurance rates, and it can be substantiated on the floor of the Senate, of course. I have them myself. I have them from shippers who have shipped the cotton and who have got the returns from England and elsewhere, and I think I can establish them.

Senator BRADY. In addition to what the Senator has said, my impression was that Senator Smith of Georgia was endeavoring to find out what effect our inability to get our cotton to the Liverpool market has had.

Senator SMITH of South Carolina. Plus that 2-cent tax on the contract.

Senator SMITH of Georgia. I am much obliged to the Senator from South Carolina. He has stated fully and frankly what I was after. I had avoided asking a leading question; I intended to leave the witness to work it out.

Mr. BRAND. I did not realize, I may say, that the Senate committee was likely to go so thoroughly into this matter, so I merely brought along some things I had prepared for wholly different purposes in order to answer some of these points.

The differences between New York and Liverpool, which are the two great straddling markets, so far as volume is concerned, have

varied very greatly, and by weeks since June 18, 1915, when the difference was 90 points——

Senator SMITH of Georgia. June, 1915?

Mr. BRAND. Yes. The difference on that date was 90 points; the difference of the following week was 95; the next week dropped back to 80 points.

Senator SMITH of South Carolina. You speak of the two future markets?

Mr. BRAND. Yes; that is the price of middling upland in the two markets.

On July 9, the next week, the difference was 134 points. Then it went back to 105 points and to 101, and then to 138 points, then to 168, and gradually by a zigzag line climbed to September 10 to 214 points, then receded a little to 163, and went up again to 204, and after a more or less variable course finally, on December 17, reached 299 points, and the following week 321 points. The next week 344 points. Throughout this period, of course, the act was in effect.

Senator SMITH of South Carolina. That was between the futures in New York and the futures in Liverpool?

Mr. BRAND. Yes.

Senator SMITH of South Carolina. Now, Mr. Brand, can you furnish a table, please, sir, to show us the difference between futures in New York and spots in New York, and futures in Liverpool and spots in Liverpool?

The CHAIRMAN. That is indicated on the chart.

Senator SMITH of South Carolina. No; it is not. I want it in figures.

Senator SMITH of Georgia. Let us get all the futures, and then come to the spots.

Mr. BRAND. That has been completely published.

Senator SMITH of Georgia. I would like him to finish with the futures, and then let us take up all the spots.

Senator SMITH of South Carolina. It is the relativeness of the two things I wanted.

Senator SMITH of Georgia. We will have them below there [indicating] and we will see the whole then.

The CHAIRMAN. Let me ask both Senators Smith: Would you object to Mr. Brand preparing this statement and inserting it here?

Senator SMITH of Georgia. I would like to have him do that.

Senator SMITH of South Carolina. I know Mr. Brand wants to give it for the benefit of the committee, and he has now given us some very valuable information comparing the futures in New York with the futures in Liverpool. Now, I want him to compare the spots in New York with the spots in Liverpool; then I want him to compare the spots in New York with the futures in New York, and the spots in Liverpool, before he goes on with the futures in Liverpool.

Mr. BRAND. You wish that made a part of the record?

Senator SMITH of South Carolina. I wish it made a part of the record.

(Herewith are presented the tables which were requested by the committee:)

In reference to all quotations and all statements as to cost of freight, insurance, etc., as presented in the accompanying tables, it should be borne in mind that quotations are merely approximations, and that a slight variation in actual

prices is always possible from published quotations, and also that the calculations necessary to determine the costs of handling and delivering cotton on contracts in a foreign market are subject to considerable variation. Accordingly, the result presented may not be absolutely accurate at all times, but they no doubt represent fairly the approximate cost at which such business could have been consummated. It is believed that the tables show reasonably well the value of cotton in the respective markets, and hence disclose with fair accuracy the relative position of quotations on cotton in the English and American markets.

Table 1.—New Orleans Spots and Liverpool Futures.

This table covers the period of time from April 6, 1915, to April 29, 1916. It shows the price of cotton in New Orleans as represented by the spot quotations of that market; the estimated total approximate cost to deliver cotton from New Orleans on future contracts in Liverpool; the estimated value of cotton landed in Liverpool and delivered on future contract; the Liverpool future quotations for the month of delivery; and the difference between the value of the cotton and the price received on contract.

It will be observed that at no time, except on January 4, 1916, could cotton be purchased in New Orleans and landed at Liverpool and delivered on future contract without thereby incurring a loss. A discount of Liverpool futures under the true value of spot cotton as determined by its cost to purchase in New Orleans and deliver on contract in Liverpool is represented by the sixth column, the minus sign (—) being prefixed to the figures that show the relative discount of the Liverpool contract. It will be noted that during the greater part of the period under consideration Liverpool contracts were more than 1 cent per pound below the parity of American markets, but during April, 1916, the discount narrowed to an average of about 60 points. Under such conditions as disclosed by this table, it can not be maintained that the inability to hedge cotton in Liverpool was of serious detriment to the American cotton exporters.

[In cents.]

1 Date.	2 New Orleans spots.	3 Estimated approximate cost to deliver on contracts at Liverpool.	4 Estimated approximate price to deliver on contracts in Liverpool (sums of columns 2 and 3).	5 Liverpool futures.	6 Difference.
1915.				*May–June.*	
Apr. 6	9.31	3.07	12.38	11.33	−1.05
7	9.31	3.08	12.39	11.40	− .99
8	9.18	3.05	12.23	11.14	−1.09
9	9.19	3.05	12.24	10.94	−1.30
10	9.31	3.07	12.38	11.25	−1.13
12	9.37	2.96	12.33	11.32	−1.01
13	9.37	2.96	12.33	11.29	−1.04
14	9.37	2.96	12.33	11.21	−1.12
15	9.37	2.95	12.32	11.31	−1.01
16	9.43	2.86	12.29	11.31	− .98
17	9.50	2.88	12.38	11.40	− .98
19	9.56	2.86	12.42	11.38	−1.04
20	9.56	2.86	12.42	11.30	−1.12
21	9.56	2.82	12.38	11.21	−1.17
22	9.56	2.83	12.39	11.28	−1.11
23	9.68	2.83	12.51	11.40	−1.11
24	9.68	2.83	12.51	11.36	−1.15
26	9.68	2.83	12.51	11.36	−1.15
27	9.62	2.82	12.44	11.26	−1.14
28	9.56	2.82	12.38	11.24	−1.12
29	9.43	2.79	12.22	11.12	−1.18
30	9.43	2.80	12.23	11.11	−1.10
May 1	9.37	2.80	12.17	11.08	−1.09
3	9.37	2.80	12.17	10.99	−1.18
4	9.25	2.79	12.04	10.81	−1.23
1915.				*May–June.*	
May 5	9.12	2.78	11.90	10.68	−1.22
6	9.00	2.76	11.76	10.28	−1.48
7	9.00	2.44	11.44	10.35	−1.09
8	9.00	2.44	11.44	10.10	−1.34
10	9.00	2.44	11.44	10.32	−1.12
11	9.00	2.44	11.44	10.41	−1.03
12	9.00	2.43	11.43	10.51	− .92
13	9.00	2.44	11.44	10.36	−1.08
14	9.00	2.44	11.44	10.33	−1.11
15	9.00	2.44	11.44	10.28	−1.16
17	9.00	2.44	11.44	10.26	−1.18
18	9.00	2.45	11.45	10.27	−1.18
19	9.00	2.45	11.45	10.19	−1.26
20	9.00	2.46	11.46	10.35	−1.11
				June–July.	
21	9.00	2.46	11.46	10.56	− .90
22	9.00	....	11.46	....	....
24	9.00	....	11.46	....	....
25	9.00	2.46	11.46	10.34	−1.12
26	9.00	2.46	11.46	10.11	−1.35
27	9.00	2.46	11.46	10.00	−1.46
28	9.00	....	11.46	....	....
29	9.00	....	11.46	....	....
31	8.93	2.46	11.39	9.97	−1.42

[In cents.]

1	2	3	4	5	6
Date.	New Orleans spots.	Estimated approximate cost to deliver on contracts at Liverpool.	Estimated approximate price to deliver on contracts in Liverpool (sums of columns 2 and 3).	Liverpool futures.	Difference.
1915.				*June-July.*	
June 1	8.93	2.45	11.38	10.09	−1.29
2	9.00	2.46	11.46	10.11	−1.35
3	9.00	2.46	11.46	10.31	−1.15
4	9.13	2.47	11.60	10.50	−1.10
5	9.13	2.48	11.61	10.39	−1.22
7	9.19	2.47	11.66	10.50	−1.16
8	9.25	2.47	11.72	10.61	−1.11
9	9.12	2.47	11.59	10.49	−1.10
10	9.25	2.47	11.72	10.49	−1.23
11	9.25	2.47	11.72	10.49	−1.23
12	9.25	2.47	11.72	10.52	−1.20
14	9.32	2.35	11.67	10.43	−1.24
15	9.38	2.36	11.74	10.53	−1.21
16	9.38	2.36	11.74	10.53	−1.21
17	9.25	2.34	11.59	10.46	−1.13
18	9.12	2.33	11.45	10.48	− .97
19	9.12	2.34	11.46	10.45	−1.01
				July-Aug.	
21	9.00	2.35	11.35	10.32	−1.03
22	9.00	2.35	11.35	10.28	−1.07
23	9.00	2.35	11.35	10.26	−1.09
24	9.00	2.35	11.35	10.25	−1.10
25	9.00	2.35	11.35	10.11	−1.24
26	9.00	2.35	11.35	10.05	−1.30
28	9.00	2.37	11.37	10.14	−1.23
29	9.00	2.37	11.37	10.25	−1.12
30	9.00	2.37	11.37	10.22	−1.15
July 1	9.00	2.37	11.37	10.33	−1.04
2	9.00	2.37	11.37	10.17	−1.20
3	....	....	....	10.39	....
5	....	....	....	....	....
6	9.00	2.36	11.36	10.39	− .97
7	9.00	2.36	11.36	10.31	−1.05
8	8.88	2.36	11.24	10.17	−1.07
9	8.82	2.36	11.18	10.09	−1.09
10	8.82	2.36	11.18	10.07	−1.11
12	8.63	2.34	10.97	9.94	−1.03
13	8.50	2.31	10.81	9.92	− .89
14	8.50	2.31	10.81	10.09	− .72
15	8.50	2.31	10.81	9.98	− .83
16	8.57	2.31	10.88	10.10	− .78
17	8.75	2.34	11.09	10.20	− .89
19	8.63	2.34	10.97	10.10	− .87
20	8.63	2.34	10.97	10.05	− .92
				Aug.-Sept.	
21	8.63	2.34	10.97	10.21	− .76
22	8.63	2.34	10.97	10.10	− .87
23	8.63	2.34	10.97	10.22	− .75
24	8.63	2.34	10.97	10.19	− .78
26	8.63	2.34	10.97	10.15	− .82
27	8.63	2.23	10.86	10.20	− .66
28	8.69	2.23	10.92	10.24	− .68
29	8.69	2.23	10.92	10.39	− .53
30	8.69	2.23	10.92	10.46	− .46
31	8.69	....	....	....	....
Aug. 2	....	....	....	....	....
3	8.69	2.26	10.95	10.38	− .57
4	8.69	2.36	11.05	10.54	− .51
5	8.69	2.36	11.05	10.70	− .35
6	8.82	2.36	11.18	10.76	− .42
7	8.82	2.40	11.22	10.80	− .42
9	8.82	2.40	11.22	10.59	− .63
10	8.82	2.54	11.36	10.50	− .86
1915.				*June-July.*	
Aug. 11	8.82	2.54	11.36	10.54	−0.82
12	8.94	2.59	11.53	10.60	− .93
13	8.94	2.61	11.55	10.54	−1.01
14	8.94	2.67	11.61	10.58	−1.03
16	9.00	2.72	11.72	10.62	−1.10
17	9.00	2.76	11.76	10.57	−1.19
18	9.00	2.73	11.73	10.77	− .96
19	9.07	2.73	11.80	10.68	−1.12
20	9.07	2.72	11.79	10.58	−1.21
				Sept.-Oct.	
21	9.00	2.73	11.73	10.64	−1.09
23	8.87	2.73	11.60	10.54	−1.06
24	8.87	2.75	11.62	10.72	− .90
25	8.87	2.76	11.63	10.80	− .83
26	8.94	2.81	11.75	10.86	− .89
27	9.13	2.83	11.96	11.06	− .90
28	9.13	2.82	11.95	11.20	− .75
30	9.25	2.87	12.12	11.28	− .84
31	9.38	2.97	12.35	11.23	−1.12
Sept. 1	9.31	3.13	12.44	11.53	− .91
2	9.44	3.01	12.45	11.45	−1.00
3	9.44	2.93	12.37	11.35	−1.02
4	....	....	....	....	....
6	....	....	....	....	....
7	9.50	2.95	12.45	11.40	−1.05
8	9.50	2.89	12.39	11.48	− .91
9	9.63	2.81	12.44	11.75	− .69
10	9.69	2.84	12.53	11.85	− .68
11	9.82	2.88	12.70	11.98	− .72
13	10.00	2.88	12.88	12.05	− .83
14	10.00	....	....	....	....
15	10.25	2.89	13.14	12.43	− .71
16	10.38	2.79	13.17	12.41	− .76
17	10.38	2.75	13.13	12.46	− .67
18	10.38	2.81	13.19	12.24	− .95
20	10.38	2.75	13.13	12.36	− .77
				Oct.-Nov.	
21	10.69	2.77	13.46	12.67	− .79
22	10.87	2.67	13.54	12.65	− .89
23	10.87	2.67	13.54	13.00	− .54
24	11.00	2.68	13.68	13.11	− .57
25	11.25	2.70	13.95	13.27	− .68
27	11.63	2.72	14.35	13.63	− .72
28	11.75	2.74	14.49	13.84	− .65
29	11.75	2.72	14.47	13.58	− .89
30	11.75	2.73	14.48	13.64	− .84
Oct. 1	11.75	2.72	14.47	13.41	−1.06
2	11.75	2.73	14.48	13.31	−1.17
4	11.81	3.07	14.88	13.91	− .97
5	12.00	3.09	15.09	14.27	− .82
6	12.00	3.08	15.08	14.16	− .92
7	12.00	3.08	15.08	14.03	−1.05
8	12.00	3.13	15.13	14.15	− .98
9	12.00	3.14	15.14	14.07	−1.07
11	12.00	3.15	15.15	13.83	−1.32
12	12.13	....	....	....	....
13	12.13	3.15	15.28	14.21	−1.07
14	12.00	3.03	15.03	14.18	− .85
15	12.00	3.04	15.04	14.30	− .74
16	12.00	3.01	15.01	14.12	− .89
18	12.07	2.99	15.06	14.26	− .80
19	12.07	3.00	15.07	14.23	− .84
20	12.00	2.93	14.93	14.22	− .71

[In cents.]

1	2	3	4	5	6
Date.	New Orleans spots.	Estimated approximate cost to deliver on contracts at Liverpool.	Estimated approximate price to deliver on contracts in Liverpool (sums of columns 2 and 3).	Liverpool futures.	Difference.
1915.				*Nov.-Dec.*	
Oct. 21	11.93	2.94	14.87	14.12	−0.75
22	12.00	2.97	14.97	14.05	− .92
23	12.00	3.02	15.02	14.10	− .92
25	12.00	3.04	15.04	14.14	− .90
26	11.93	3.06	14.99	14.02	− .97
27	11.93	3.06	14.99	13.88	−1.11
28	11.75	3.01	14.76	13.70	−1.06
29	11.75	2.98	14.73	13.85	− .88
30	11.75	3.03	14.78	13.77	−1.01
Nov. 1	11.75	3.02	14.77	13.69	−1.08
2	11.75	3.16	14.91	13.45	−1.46
3	11.62	3.15	14.77	13.44	−1.33
4	11.37	3.11	14.48	13.35	−1.13
5	11.37	3.12	14.49	13.58	− .91
6	11.37	3.10	14.47	13.48	− .99
8	11.37	3.09	14.46	13.45	−1.01
9	11.25	3.13	14.38	13.25	−1.13
10	11.25	3.28	14.53	13.42	−1.11
11	11.38	3.26	14.64	13.73	− .91
12	11.38	3.28	14.66	13.78	− .88
13	11.44	3.27	14.71	13.74	− .97
15	11.44	3.28	14.72	13.72	−1.00
16	11.38	3.26	14.64	13.66	− .98
17	11.38	3.23	14.61	13.58	−1.03
18	11.38	3.22	14.60	13.63	− .97
19	11.38	3.32	14.70	13.71	− .99
20	11.38	3.34	14.72	13.69	−1.03
				Dec.-Jan.	
22	11.38	3.32	14.70	13.63	−1.07
23	11.38	3.30	14.68	13.66	−1.02
24	11.50	3.32	14.82	13.80	−1.02
25[1]	....	....	....	....	....
26	11.69	3.33	15.02	14.20	− .72
27	....	....	....	....	....
29	12.00	3.47	15.47	14.55	− .92
30	12.00	3.44	15.44	14.54	− .90
Dec. 1	12.00	3.44	15.44	14.65	− .79
2	12.00	3.45	15.45	14.58	− .87
3	12.00	3.47	15.47	14.57	− .90
4	12.00	3.45	15.45	14.62	− .83
6	12.00	3.44	15.44	14.79	− .65
7	12.13	3.44	15.57	15.04	− .53
8	12.13	3.79	15.92	15.04	− .88
9	12.13	3.77	15.90	15.08	− .82
10	12.13	3.79	15.92	14.97	− .95
11	12.13	3.78	15.91	15.06	− .85
13	11.94	3.81	15.75	14.60	−1.15
14	11.82	3.78	15.60	14.57	−1.03
15	11.82	3.78	15.60	14.74	− .86
16	11.82	3.77	15.59	14.67	− .92
17	11.82	3.78	15.60	14.42	−1.18
18	11.82	3.77	15.59	14.41	−1.18
20	11.69	3.74	15.43	14.71	− .72
				Jan.-Feb.	
21	11.69	3.74	15.43	14.86	.57
22	11.69	3.73	15.42	14.78	− .64
23	11.69	3.73	15.42	14.82	− .60
24	11.69	3.74	15.43	(1)	....
25[1]	....	....	....	....	....
27	11.75	3.71	15.46	(1)	....
28	11.75	3.71	15.46	15.17	− .29
29	11.75	3.69	15.44	15.10	− .34
30	11.75	3.69	15.44	15.31	− .13
31	11.88	3.68	15.56	15.47	− .90

1	2	3	4	5	6
Date.	New Orleans spots.	Estimated approximate cost to deliver on contracts at Liverpool.	Estimated approximate price to deliver on contracts in Liverpool (sums of columns 2 and 3).	Liverpool futures.	Difference.
1916.				*Jan.-Feb.*	
Jan. 3	11.88	3.72	15.60	15.57	−0.03
4	11.94	3.70	15.64	15.90	+ .26
5	12.00	4.75	16.75	16.12	− .63
6	12.00	4.71	16.71	15.99	− .72
7	12.00	4.75	16.75	15.91	− .84
8[1]	....	....	....	....	....
10	12.06	4.75	16.81	16.01	− .80
11	12.19	4.77	16.96	15.92	−1.04
12	12.19	4.76	16.95	15.93	−1.02
13	19.19	4.77	16.96	15.80	−1.16
14	12.19	4.78	16.97	15.68	−1.29
15	12.19	4.79	16.98	15.85	−1.13
17	12.19	4.79	16.98	16.03	− .95
18	12.13	4.77	16.90	16.10	− .80
19	12.13	4.77	16.90	15.99	− .91
20	12.13	4.78	16.91	15.79	−1.12
				Feb.-Mar.	
21	12.13	4.77	16.90	15.85	−1.05
22	12.13	4.77	16.90	15.93	− .97
24	12.13	4.78	16.91	15.80	−1.11
25	12.00	4.77	16.77	15.73	−1.04
26	11.88	4.76	16.64	15.85	− .79
27	11.88	4.76	16.64	15.63	−1.01
28	11.88	4.78	16.66	15.36	−1.30
29	11.75	4.74	16.49	15.24	−1.25
31	11.75	4.75	16.50	14.97	−1.53
Feb. 1	11.56	4.73	16.29	15.05	−1.24
2	11.56	4.74	16.30	14.88	−1.42
3	11.56	4.74	16.30	15.06	−1.24
4	11.62	4.74	16.36	15.37	− .99
5	11.62	4.77	16.39	15.37	−1.02
7	11.62	4.77	16.39	15.37	−1.02
8	11.62	4.75	16.37	15.67	− .70
9	11.62	4.76	16.38	15.47	− .91
10	11.62	4.76	16.38	15.59	− .79
11	11.62	4.74	16.36	15.62	− .74
12	11.62	4.74	16.36	15.70	− .66
14	11.62	4.76	16.38	15.66	− .72
15	11.56	4.76	16.32	15.48	− .84
16	11.56	4.76	16.32	15.39	− .93
17	11.43	4.74	16.17	15.30	− .87
18	11.37	4.73	16.10	15.26	− .84
19	11.37	4.74	16.11	15.25	− .86
				Mar.-Apr.	
21	11.25	4.72	15.97	15.00	− .97
22[1]	....	....	....	....	....
23	11.25	4.72	15.97	15.11	− .86
24	11.25	4.72	15.97	15.19	− .78
25	11.13	4.69	15.82	15.09	− .73
26	11.13	4.60	15.73	15.02	− .71
28	11.13	4.60	15.73	14.97	− .76
29	11.13	4.60	15.73	15.12	− .61
Mar. 1	11.13	4.60	15.65	15.05	− .68
2	11.13	4.52	15.56	15.24	− .41
3	11.13	4.60	15.73	15.28	− .45
4	11.25	4.62	15.87	15.25	− .62
6	11.38	4.64	16.02	15.18	− .84
7[1]	....	....	....	....	....
8	11.50	4.65	16.15	15.19	− .96
9	11.63	4.66	16.29	15.15	−1.14
10	11.69	4.66	16.35	15.21	−1.14
11	11.69	4.67	16.36	15.25	−1.11
13	11.69	4.67	16.36	15.15	−1.21
14	11.82	4.69	16.51	15.29	−1.22

[1] Holiday.

[In cents.

1	2	3	4	5	6
Date.	New Orleans spots.	Estimated approximate cost to deliver on contracts at Liverpool.	Estimated approximate price to deliver on contracts in Liverpool (sums of columns 2 and 3).	Liverpool futures.	Difference.
1916.				*Mar.-Apr.*	
Mar. 15	11.88	4.68	16.56	15.33	−1.23
16	11.94	4.68	16.62	15.42	−1.24
17	11.94	4.27	16.21	15.30	− .91
18	12.00	4.28	16.28	15.25	−1.03
20	12.00	4.28	16.28	15.25	−1.03
				Apr.-May.	
21	12.00	4.28	16.28	15.16	−1.12
22	12.00	4.28	16.28	15.21	−1.07
23	12.00	4.28	16.28	15.17	−1.11
24	11.88	4.26	16.14	15.07	−1.07
25	11.88	4.26	16.14	15.00	−1.14
27	11.88	3.99	15.87	15.17	− .70
28	11.88	3.99	15.87	15.25	− .62
29	11.88	3.99	15.87	15.29	− .58
30	11.88	3.99	15.87	15.13	− .74
31	11.88	3.97	15.85	15.13	− .72
Apr. 1	11.88	3.99	15.87	15.01	− .86
3	11.88	3.99	15.87	14.88	− .99
4	11.88	3.73	15.61	14.86	− .75
5	11.88	3.72	15.60	14.73	− .87
6	11.88	3.72	15.60	14.92	− .68
1916.				*Apr.-May.*	
Apr. 7	11.88	3.71	15.59	14.95	−0.64
8	11.88	3.72	15.60	14.84	− .76
10	11.88	3.72	15.60	14.93	− .67
11	11.88	3.72	15.60	15.12	− .48
12	11.88	3.72	15.60	15.13	− .47
13	11.88	3.72	15.60	15.18	− .42
14	11.88	3.71	15.59	15.25	− .34
15	11.88	3.72	15.60	15.31	− .29
17	11.88	3.81	15.69	15.37	− .32
[1] 18	....	....	....	....	....
19	11.88	3.98	15.86	15.23	− .63
				May-June.	
20	11.88	3.98	15.86	15.26	− .60
[1] 21	....	....	....	....	....
[1] 22	....	....	....	....	....
[1] 24	....	....	....	....	....
25	11.88	3.98	15.86	15.23	− .63
26	11.88	3.98	15.86	15.23	− .63
27	11.88	3.98	15.86	15.32	− .54
28	11.88	3.97	15.85	15.42	− .43
29	11.88	3.99	15.87	15.40	− .47

[1] Holiday.

TABLE 2.—NEW ORLEANS SPOTS AND LIVERPOOL SPOTS.

This table covers the period of time from February 1, 1915, to April 29, 1916. It shows the price of spot cotton in New Orleans; the approximate cost to land cotton at Liverpool from New Orleans; the approximate value of the cotton landed at Liverpool; the current Liverpool spot quotations; and the difference between the Liverpool spot quotations and the value of the cotton landed at Liverpool.

An examination of these figures discloses that cotton might have been purchased in New Orleans on spot terms and sold on spot terms at published quotations at Liverpool occasionally at a profit, but that normally the Liverpool spot quotations were at a discount as compared with the cost of cotton purchased in New Orleans plus the charges to land it in Liverpool. At times this discount of Liverpool spot quotations was more than 1 cent per pound, but the average discount seems to have been about one-half cent per pound. As Liverpool spot prices are thus shown to be below the parity of spot cotton in New Orleans, it does not seem rational to conclude that Liverpool was the logical market in which to place a hedge or to consign cotton.

[In cents.]

1 Date.	2 New Orleans spots.	3 Approximate cost to land at Liverpool.	4 Approximate price landed at Liverpool (sum of columns 2 and 3).	5 Liverpool spot quotations.	6 Difference between Liverpool spot quotations and approximate price landed at Liverpool.
1915.					
Feb. 1	8.06	1.90	9.96	10.02	+0.06
2	8.12	1.90	10.02	10.20	+ .18
3	8.12	1.90	10.02	10.17	+ .15
4	8.12	1.90	10.02	10.10	+ .08
5	8.18	1.96	10.14	10.18	+ .04
6	8.18	2.23	10.41	10.14	− .27
8	8.18	2.23	10.41	10.14	− .27
9	8.18	2.24	10.42	10.20	− .22
10	8.18	2.24	10.42	10.22	− .20
11	8.18	2.24	10.42	10.14	− .28
[1]12	....	....	....	....	....
13	8.16	2.24	10.40	9.88	− .52
15	8.06	2.26	10.32	9.84	− .48
16	....	....	....	....	....
17	7.94	2.24	10.18	9.98	− .20
18	7.88	2.21	10.09	9.90	− .19
19	7.88	2.24	10.12	10.02	− .10
20	7.88	2.27	10.15	9.98	− .17
[1]22	....	....	....	....	....
23	7.75	2.09	9.84	9.98	+ .14
24	7.75	2.09	9.84	9.98	+ .14
25	7.75	2.09	9.84	9.90	+ .06
26	7.75	2.09	9.84	9.94	+ .10
Mar. 1	7.75	2.09	9.84	9.90	+ .06
2	7.81	2.10	9.91	9.82	− .09
3	7.81	2.10	9.91	9.94	+ .03
4	7.81	2.10	9.91	10.02	+ .11
5	7.94	2.12	10.06	9.98	− .08
6	8.00	2.11	10.11	....	....
8	8.00	2.11	10.11	10.18	+ .07
9	8.13	2.14	10.27	10.14	− .13
10	8.26	2.16	10.42	10.14	− .28
11	8.38	2.17	10.55	10.34	− .21
12	8.38	2.17	10.55	10.34	− .21
13	8.38	2.16	10.54	10.24	− .30
15	8.44	2.19	10.63	10.28	− .35
16	8.50	2.28	10.78	10.42	− .36
17	8.50	2.28	10.78	10.70	− .08
18	8.37	2.27	10.64	10.60	− .04
19	8.25	2.26	10.51	10.54	+ .03
20	8.25	2.26	10.51	10.50	− .01
22	8.38	2.28	10.66	10.66	....
23	8.50	2.31	10.81	10.70	− .11
24	8.50	2.30	10.80	10.76	− .04
25	8.63	2.64	11.27	10.84	− .43
26	8.75	2.58	11.33	10.96	− .37
27	8.75	2.58	11.33	10.92	− .41
29	8.88	2.61	11.49	10.94	− .55
30	8.88	2.61	11.49	10.96	− .53
31	9.06	2.61	11.67	11.04	− .63
Apr. 1	9.06	2.61	11.67	11.34	− .33
2	....	....	....	....	....
3	....	....	....	....	....
5	9.19	2.86	12.05	....	....
6	9.31	2.88	12.19	11.38	− .81
7	9.31	2.89	12.20	11.58	− .62
8	9.18	2.86	12.04	11.42	− .62
9	9.19	2.86	12.05	11.04	−1.01
10	9.31	2.88	12.19	11.36	− .83
12	9.37	2.78	12.15	11.50	− .65
13	9.37	2.78	12.15	11.30	− .85
14	9.37	2.78	12.15	11.54	− .61

1 Date.	2 New Orleans spots.	3 Approximate cost to land at Liverpool.	4 Approximate price landed at Liverpool (sum of columns 2 and 3).	5 Liverpool spot quotations.	6 Difference between Liverpool spot quotations and approximate price landed at Liverpool.
1915.					
Apr. 15	9.37	2.77	12.14	11.40	−0.74
16	9.43	2.78	12.21	11.50	− .71
17	9.50	2.80	12.30	11.54	− .76
19	9.56	2.78	12.34	11.50	− .84
20	9.56	2.78	12.34	11.60	− .74
21	9.56	2.74	12.30	11.52	− .78
22	9.56	2.75	12.31	11.32	− .99
23	9.68	2.75	12.43	11.56	− .87
24	9.68	2.75	12.43	11.50	− .93
26	9.68	2.75	12.43	11.56	− .87
27	9.62	2.74	12.36	11.48	− .88
28	9.56	2.74	12.30	11.36	− .94
29	9.43	2.71	12.14	11.38	− .76
30	9.43	2.72	12.15	11.32	− .83
May 1	9.37	2.72	12.09	11.30	− .79
3	9.37	2.72	12.09	11.18	− .91
4	9.25	2.70	11.95	11.00	− .95
5	9.12	2.69	11.81	10.92	− .89
6	9.00	2.67	11.67	10.48	−1.19
7	9.00	2.35	11.35	10.38	− .97
8	9.00	2.35	11.35	10.30	−1.05
10	9.00	2.35	11.35	10.52	− .83
11	9.00	2.35	11.35	10.48	− .87
12	9.00	2.34	11.34	10.72	− .62
13	9.00	2.35	11.35	10.64	− .71
14	9.00	2.35	11.35	10.60	− .75
15	9.00	2.35	11.35	10.42	− .93
17	9.00	2.35	11.35	10.46	− .89
18	9.00	2.36	11.36	10.46	− .90
19	9.00	2.36	11.36	10.42	− .94
20	9.00	2.37	11.37	10.54	− .83
21	9.00	2.37	11.37	10.72	− .65
22	9.00	2.37	11.37	....	....
24	9.00	2.37	11.37	....	....
25	9.00	2.37	11.37	10.66	− .71
26	9.00	2.37	11.37	10.48	− .89
27	9.00	2.37	11.37	10.28	−1.09
28	9.00	2.37	11.37	....	....
29	9.00	2.37	11.37	....	....
31	8.93	2.37	11.30	10.28	−1.02
June 1	8.93	2.36	11.29	10.26	−1.03
2	9.00	2.37	11.37	10.32	−1.05
3	9.00	2.37	11.37	10.44	− .93
4	9.13	2.38	11.51	10.70	− .81
5	9.13	2.39	11.52	10.72	− .80
7	9.19	2.38	11.57	10.78	− .79
8	9.25	2.38	11.63	10.81	− .82
9	9.12	2.38	11.50	10.84	− .66
10	9.25	2.38	11.63	10.70	− .93
11	9.25	2.38	11.63	10.74	− .89
12	9.25	2.38	11.63	10.82	− .81
14	9.32	2.26	11.58	10.72	− .86
15	9.38	2.27	11.65	10.74	− .91
16	9.38	2.27	11.65	10.84	− .81
17	9.25	2.25	11.50	10.76	− .74
18	9.12	2.24	11.36	10.70	− .66
19	9.12	2.25	11.37	10.72	− .65
21	9.00	2.26	11.26	10.58	− .68
22	9.00	2.26	11.26	10.46	− .80
23	9.00	2.26	11.26	10.48	− .78
24	9.00	2.26	11.26	10.36	− .90
25	9.00	2.26	11.26	10.40	− .86

[1] Holiday.

[In cents.]

1	2	3	4	5	6
Date.	New Orleans spots.	Approximate cost to land at Liverpool.	Approximate price landed at Liverpool (sum of columns 2 and 3).	Liverpool spot quotations.	Difference between Liverpool spot quotations and approximate price landed at Liverpool.
1915.					
June 26	9.00	2.26	11.26	10.26	−1.00
28	9.00	2.28	11.28	10.34	− .94
29	9.00	2.28	11.28	10.44	− .84
30	9.00	2.28	11.28	10.44	− .84
July 1	9.00	2.28	11.28	10.44	− .84
2	9.00	2.28	11.28	10.40	− .88
3	....	....	....	....	....
5	....	....	....	....	....
6	9.00	2.27	11.27	10.66	− .61
7	9.00	2.27	11.27	10.54	− .73
8	8.88	2.27	11.15	10.42	− .73
9	8.82	2.27	11.09	10.34	− .75
10	8.82	2.27	11.09	10.28	− .81
12	8.63	2.25	10.88	10.16	− .72
13	8.50	2.22	10.72	10.18	− .54
14	8.50	2.22	10.72	10.30	− .42
15	8.50	2.22	10.72	10.30	− .42
16	8.57	2.22	10.79	10.30	− .49
17	8.75	2.25	11.00	10.44	− .56
19	8.63	2.25	10.88	10.54	− .34
20	8.63	2.25	10.88	10.28	− .60
21	8.63	2.25	10.88	10.28	− .60
22	8.63	2.25	10.88	10.38	− .50
23	8.63	2.25	10.88	10.26	− .62
24	8.63	2.25	10.88	10.42	− .46
26	8.63	2.25	10.88	10.30	− .58
27	8.63	2.14	10.77	10.30	− .47
28	8.69	2.14	10.83	10.40	− .43
29	8.69	2.14	10.83	10.60	− .23
30	8.69	2.14	10.83	10.68	− .15
Aug. 2	8.69	2.17	10.86	....	....
3	8.69	2.17	10.86	10.68	− .18
4	8.69	2.27	10.96	10.72	− .24
5	8.69	2.27	10.96	10.96	....
6	8.82	2.27	11.09	11.06	− .03
7	8.82	2.31	11.13	11.06	− .07
9	8.82	2.31	11.13	10.94	− .19
10	8.82	2.45	11.27	10.72	− .55
11	8.82	2.45	11.27	10.74	− .53
12	8.94	2.50	11.44	10.92	− .52
13	8.94	2.52	11.46	10.86	− .60
14	8.94	2.58	11.52	10.80	− .72
16	9.00	2.63	11.63	10.88	− .75
17	9.00	2.67	11.67	10.92	− .75
18	9.00	2.64	11.64	10.90	− .74
19	9.07	2.64	11.71	10.96	− .75
20	9.07	2.63	11.70	10.84	− .86
21	9.00	2.64	11.64	10.84	− .80
23	8.87	2.64	11.51	10.78	− .73
24	8.87	2.66	11.53	10.84	− .69
25	8.87	2.67	11.54	10.98	− .56
26	8.94	2.72	11.66	11.00	− .66
27	9.13	2.74	11.87	11.26	− .61
28	9.13	2.73	11.86	11.36	− .50
30	9.25	2.79	12.04	11.62	− .42
31	9.38	2.89	12.27	11.46	− .81
Sept. 1	9.31	3.05	12.36	11.88	− .48
2	9.44	2.93	12.37	11.82	− .55
3	9.44	2.85	12.29	11.56	− .73
4	....	....	....	....	....
[1] 6	....	....	....	....	....
7	9.50	2.87	12.37	11.56	− .81
8	9.50	2.81	12.31	11.78	− .53

1	2	3	4	5	6
Date.	New Orleans spots.	Approximate cost to land at Liverpool.	Approximate price landed at Liverpool (sum of columns 2 and 3).	Liverpool spot quotations.	Difference between Liverpool spot quotations and approximate price landed at Liverpool.
1915.					
Sept. 9	9.63	2.73	12.36	11.96	−0.40
10	9.69	2.76	12.45	12.24	− .21
11	9.82	2.80	12.62	12.24	− .38
13	10.00	2.80	12.80	12.22	− .58
14	10.00	2.80	12.80	12.54	− .26
15	10.25	2.82	13.07	12.72	− .35
16	10.38	2.72	13.10	12.88	− .22
17	10.38	2.68	13.06	12.88	− .18
18	10.38	2.74	13.12	12.68	− .44
20	10.38	2.68	13.06	12.52	− .54
21	10.69	2.70	13.39	12.86	− .53
22	10.87	2.60	13.47	13.10	− .37
23	10.87	2.60	13.47	13.18	− .29
24	11.00	2.61	13.61	13.18	− .43
25	11.25	2.63	13.88	13.52	− .36
27	11.63	2.66	14.29	13.76	− .53
28	11.75	2.68	14.43	14.08	− .35
29	11.75	2.66	14.41	14.08	− .33
30	11.75	2.67	14.42	13.70	− .72
Oct. 1	11.75	2.66	14.41	13.94	− .47
2	11.75	2.67	14.42	13.72	− .70
4	11.81	3.01	14.82	13.80	−1.02
5	12.00	3.04	15.04	14.50	− .54
6	12.00	3.03	15.03	14.48	− .55
7	12.00	3.03	15.03	14.36	− .67
8	12.00	3.08	15.08	14.48	− .60
9	12.00	3.09	15.09	14.36	− .73
11	12.00	3.10	15.10	14.08	−1.02
[1] 12	....	....	....	....	....
13	12.13	3.10	15.23	14.66	− .57
14	12.00	2.98	14.98	14.54	− .44
15	12.00	2.99	14.99	14.46	− .53
16	12.00	2.96	14.96	14.48	− .48
18	12.07	2.94	15.01	14.58	− .43
19	12.07	2.95	15.02	14.50	− .52
20	12.00	2.87	14.87	14.56	− .31
21	11.93	2.88	14.81	14.56	− .25
22	12.00	2.92	14.92	14.24	− .68
23	12.00	2.97	14.97	14.40	− .57
25	12.00	2.99	14.99	14.40	− .59
26	11.93	3.00	14.93	14.30	− .63
27	11.93	3.00	14.93	14.16	− .77
28	11.75	2.95	14.70	14.20	− .50
29	11.75	2.92	14.67	14.04	− .63
30	11.75	2.97	14.72	14.08	− .64
Nov. 1	11.75	2.96	14.71	14.20	− .51
2	11.75	3.10	14.85	13.70	−1.15
3	11.62	3.09	14.71	13.70	−1.01
4	11.37	3.05	14.42	13.84	− .58
5	11.37	3.06	14.43	13.82	− .61
6	11.37	3.04	14.41	13.82	− .59
8	11.37	3.03	14.40	13.66	− .74
9	11.25	3.07	14.32	13.70	− .62
10	11.25	3.22	14.47	13.76	− .71
11	11.38	3.20	14.58	13.92	− .66
12	11.38	3.22	14.60	14.02	− .58
13	11.44	3.21	14.65	14.02	− .63
15	11.44	3.22	14.66	14.16	− .50
16	11.38	3.20	14.58	14.04	− .54
17	11.38	3.17	14.55	13.94	− .61
18	11.38	3.16	14.54	13.92	− .62
19	11.38	3.26	14.64	14.12	− .52
20	11.38	3.28	14.66	14.06	− .60
22	11.38	3.26	14.64	14.12	− .52

[1] Holiday.

[In cents.]

1	2	3	4	5	6
Date.	New Orleans spots.	Approximate cost to land at Liverpool.	Approximate price landed at Liverpool (sum of columns 2 and 3).	Liverpool spot quotations.	Difference between Liverpool spot quotations and approximate price landed at Liverpool.
1915.					
Nov. 23	11.38	3.24	14.62	13.98	−0.64
24	11.50	3.26	14.76	14.08	− .68
[1] 25					
26	11.69	3.28	14.97	14.56	− .41
27	11.94	3.33	15.27	15.16	− .11
29	12.00	3.42	15.42	15.10	− .32
30	12.00	3.39	15.39	14.90	− .49
Dec. 1	12.00	3.39	15.39	14.90	− .49
2	12.00	3.40	15.40	15.10	− .30
3	12.00	3.42	15.42	15.00	− .42
4	12.00	3.40	15.40	15.02	− .38
6	12.00	3.39	15.39	15.12	− .27
7	12.13	3.39	15.52	15.32	− .20
8	12.13	3.74	15.87	15.54	− .33
9	12.13	3.72	15.85	15.54	− .31
10	12.13	3.74	15.87	15.32	− .55
11	12.13	3.73	15.86	15.38	− .48
13	11.94	3.76	15.70	15.10	− .60
14	11.82	3.73	15.55	15.08	− .47
15	11.82	3.73	15.55	15.00	− .55
16	11.82	3.72	15.54	15.06	− .48
17	11.82	3.73	15.55	14.94	− .61
18	11.82	3.72	15.54	14.78	− .76
20	11.69	3.69	15.38	15.00	− .38
21	11.69	3.69	15.38	15.10	− .28
22	11.69	3.68	15.37	15.26	− .11
23	11.69	3.68	15.37	15.26	− .11
24	11.69	3.69	15.38	([1])	
[1] 25					
27	11.75	3.66	15.41	([1])	
28	11.75	3.66	15.41	15.56	+ .15
29	11.75	3.64	15.39	15.64	+ .25
30	11.75	3.64	15.39	15.50	+ .11
31	11.88	3.63	15.51	15.84	+ .33
1916.					
Jan. 3	11.88	3.67	15.55	16.02	+ .47
4	11.94	3.65	15.59	16.24	+ .65
5	12.00	4.71	16.71	16.56	− .15
6	12.00	4.67	16.67	16.70	+ .03
7	12.00	4.71	16.71	16.44	− .27
[1] 8					
10	12.06	4.71	16.77	16.58	− .19
11	12.19	4.73	16.92	16.42	− .50
12	12.19	4.72	16.91	16.34	− .57
13	12.19	4.73	16.92	16.40	− .52
14	12.19	4.74	16.93	16.12	− .81
15	12.19	4.75	16.94	16.24	− .70
17	12.19	4.75	16.94	16.48	− .46
18	12.13	4.73	16.86	16.54	− .32
19	12.13	4.73	16.86	16.56	− .30
20	12.13	4.74	16.87	16.24	− .63
21	12.13	4.73	16.86	16.18	− .68
22	12.13	4.73	16.86	16.42	− .44
24	12.13	4.74	16.87	16.36	− .51
25	12.00	4.73	16.73	16.26	− .47
26	11.88	4.72	16.60	16.22	− .38
27	11.88	4.72	16.60	16.16	− .44
28	11.88	4.74	16.62	15.86	− .76
29	11.75	4.70	16.45	15.76	− .69
31	11.75	4.71	16.46	15.64	− .82
Feb. 1	11.56	4.69	16.25	15.48	− .77
2	11.56	4.70	16.26	15.32	− .94
3	11.56	4.70	16.26	15.58	− .68
4	11.62	4.70	16.32	15.78	− .54
1916.					
Feb. 5	11.62	4.73	16.35	15.84	−0.51
7	11.62	4.73	16.35	15.84	− .51
8	11.62	4.71	16.33	15.96	− .37
9	11.62	4.72	16.34	16.20	− .14
10	11.62	4.72	16.34	16.10	− .24
11	11.62	4.70	16.32	16.12	− .20
12	11.62	4.70	16.32	16.14	− .18
14	11.62	4.72	16.34	16.22	− .12
15	11.56	4.72	16.28	16.10	− .18
16	11.56	4.72	16.28	15.84	− .44
17	11.43	4.70	16.13	15.78	− .35
18	11.37	4.69	16.06	15.64	− .42
19	11.37	4.70	16.07	15.66	− .41
21	11.25	4.68	15.93	15.54	− .39
[1] 22					
23	11.25	4.68	15.93	15.44	− .49
24	11.25	4.68	15.93	15.62	− .31
25	11.13	4.65	15.78	15.44	− .34
26	11.13	4.56	15.69	15.46	− .23
28	11.13	4.56	15.69	15.48	− .21
29	11.13	4.56	15.69	15.42	− .27
Mar. 1	11.13	4.56	15.69	15.54	− .15
2	11.13	4.48	15.61	15.50	− .11
3	11.13	4.56	15.69	15.68	− .01
4	11.25	4.58	15.83	15.66	− .17
6	11.38	4.60	15.98	15.64	− .34
[1] 7					
8	11.50	4.61	16.11	15.44	− .67
9	11.63	4.62	16.25	15.52	− .73
10	11.69	4.62	16.31	15.62	− .69
11	11.69	4.63	16.32	15.60	− .72
13	11.69	4.63	16.32	15.54	− .78
14	11.82	4.65	16.47	15.72	− .75
15	11.88	4.64	16.52	15.72	− .80
16	11.94	4.64	16.58	15.64	− .94
17	11.94	4.23	16.17	15.74	− .43
18	12.00	4.24	16.24	15.62	− .62
20	12.00	4.24	16.24	15.64	− .60
21	12.00	4.24	16.24	15.64	− .60
22	12.00	4.24	16.24	15.54	− .70
23	12.00	4.24	16.24	15.56	− .68
24	11.88	4.22	16.10	15.46	− .64
25	11.88	4.22	16.10	15.38	− .72
27	11.88	3.94	15.82	15.40	− .42
28	11.88	3.94	15.82	15.64	− .18
29	11.88	3.94	15.82	15.64	− .18
30	11.88	3.94	15.82	15.66	− .16
31	11.88	3.92	15.80	15.54	− .26
Apr. 1	11.88	3.94	15.82	15.40	− .42
3	11.88	3.94	15.82	15.30	− .52
4	11.88	3.68	15.56	15.30	− .26
5	11.88	3.67	15.55	15.16	− .39
6	11.88	3.67	15.55	15.14	− .41
7	11.88	3.66	15.54	15.24	− .30
8	11.88	3.67	15.55	15.18	− .37
10	11.88	3.67	15.55	15.26	− .29
11	11.88	3.67	15.55	15.32	− .23
12	11.88	3.67	15.55	15.52	− .03
13	11.88	3.67	15.55	15.46	− .09
14	11.88	3.66	15.54	15.56	+ .02
15	11.88	3.67	15.55	15.68	+ .13
17	11.88	3.76	15.64	15.70	+ .06
[1] 18					
19	11.88	3.93	15.81	15.78	− .03

[1] Holiday.

[In cents.]

1	2	3	4	5	6	1	2	3	4	5	6
Date.	New Orleans spots.	Approximate cost to land at Liverpool.	Approximate price landed at Liverpool (sum of columns 2 and 3).	Liverpool spot quotations.	Difference between Liverpool spot quotations and approximate price landed at Liverpool.	Date.	New Orleans spots.	Approximate cost to land at Liverpool.	Approximate price landed at Liverpool (sum of columns 2 and 3).	Liverpool spot quotations.	Difference between Liverpool spot quotations and approximate price landed at Liverpool.
1916.						1916.					
Apr. 20	11.88	3.93	15.81	15.64	−0.17	Apr. 26	11.88	3.93	15.81	15.70	−0.11
[1] 21	....	....	....	....	....	27	11.88	3.93	15.81	15.74	− .07
[1] 22	....	....	....	....	....	28	11.88	3.92	15.80	15.88	+ .08
24	11.88	(1)	(1)	(1)	(1)	29	11.88	3.94	15.82	15.90	+ .08
25	11.88	3.93	15.81	15.64	− .17						

[1] Holiday.

TABLE 3.—NEW YORK SPOTS AND LIVERPOOL SPOTS.

This table covers the period of time from April 6, 1915, to April 29, 1916. It shows the price of cotton as represented by the New York spot quotations, the estimated cost to land cotton at Liverpool from New York; the approximate value of cotton landed at Liverpool, as determined by the costs to ship from New York; the current Liverpool spot quotations, and the difference between Liverpool spot quotations and the estimated value of cotton as determined by the costs to land it at Liverpool.

A study of the figures presented by this table discloses the fact that cotton purchased in New York on spot terms and shipped to Liverpool and sold there on spot terms, which are really more favorable than delivery on future contracts would be, could not have been profitably done at any time during the period covered by the table. The discount was occasionally more than 2 cents per pound, and only once (Apr. 19, 1916) could cotton be purchased in New York and shipped to Liverpool and be sold at a profit. The discount of Liverpool quotations as compared with those of New York is indicated in the sixth column and is represented by the minus sign (—) before the figures. Under the conditions that have prevailed, it seems unreasonable to urge that cotton should have been hedged in Liverpool rather than in New York, as cotton should always seek the highest market to be sold.

[In cents.]

1	2	3	4	5	6	1	2	3	4	5	6
Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3.)	Liverpool spot quotations.	Difference.	Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3).	Liverpool spot quotations.	Difference.
1915.						1915.					
Apr. 6	10.05	3.43	13.48	11.38	−2.10	Apr. 16	10.30	2.90	13.20	11.50	−1.70
7	9.95	3.43	13.38	11.58	−1.80	17	10.35	2.90	13.25	11.54	−1.71
8	9.80	3.40	13.20	11.42	−1.78	19	10.45	2.90	13.35	11.50	−1.85
9	10.00	3.43	13.43	11.04	−2.39	20	10.45	2.90	13.35	11.60	−1.75
10	10.15	3.43	13.58	11.36	−2.22	21	10.40	2.90	13.30	11.52	−1.78
12	10.10	3.44	13.54	11.50	−2.04	22	10.50	2.90	13.40	11.32	−2.08
13	10.15	3.43	13.58	11.30	−2.28	23	10.60	2.91	13.51	11.56	−1.95
14	10.15	3.43	13.58	11.54	−2.04	24	10.60	2.91	13.51	11.50	−2.01
15	10.15	2.90	13.05	11.40	−1.65	26	10.60	2.90	13.50	11.56	−1.94

[In cents.]

1	2	3	4	5	6
Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3).	Liverpool spot quotations.	Difference.
1915.					
Apr. 27	10.50	2.90	13.40	11.48	−1.92
28	10.50	2.90	13.40	11.36	−2.04
29	10.50	2.91	13.41	11.38	−2.03
30	10.50	2.91	13.41	11.32	−2.09
May 1	10.40	2.64	13.04	11.30	−1.74
3	10.20	2.63	12.83	11.18	−1.65
4	10.30	2.63	12.93	11.00	−1.93
5	10.05	2.63	12.68	10.92	−1.76
6	10.05	2.63	12.68	10.48	−2.20
7	9.85	2.63	12.48	10.38	−2.10
8	9.85	2.63	12.48	10.30	−2.18
10	9.70	2.63	12.33	10.52	−1.81
11	9.85	2.60	12.45	10.48	−1.97
12	9.85	2.60	12.45	10.72	−1.73
13	9.85	2.60	12.45	10.64	−1.81
14	9.70	2.60	12.30	10.60	−1.70
15	9.80	2.60	12.40	10.42	−1.98
17	9.65	2.58	12.23	10.46	−1.77
18	9.55	2.56	12.11	10.46	−1.65
19	9.60	2.56	12.16	10.42	−1.74
20	9.75	2.59	12.34	10.54	−1.80
21	9.75	2.59	12.34	10.72	−1.62
22	9.80	2.59	12.39	......	......
24	9.70	2.61	12.31	......	......
25	9.65	2.61	12.26	10.66	−1.60
26	9.50	2.61	12.11	10.48	−1.63
27	9.55	2.61	12.16	10.28	−1.88
28	9.60	2.61	12.21	......	......
29	9.60	2.61	12.21	......	......
June 1	9.55	2.61	12.16	10.26	−1.90
2	9.60	2.61	12.21	10.32	−1.89
3	9.75	2.63	12.38	10.44	−1.94
4	9.75	2.62	12.37	10.70	−1.67
5	9.75	2.63	12.38	10.72	−1.66
7	9.80	2.63	12.43	10.78	−1.65
8	9.80	2.63	12.43	10.81	−1.62
9	9.65	2.62	12.27	10.84	−1.43
10	9.70	2.62	12.32	10.70	−1.62
11	9.75	2.63	12.38	10.74	−1.64
12	9.80	2.63	12.43	10.82	−1.61
14	9.75	2.65	12.40	10.72	−1.68
15	9.85	2.67	12.52	10.74	−1.78
16	9.85	2.67	12.52	10.84	−1.68
17	9.80	2.66	12.46	10.76	−1.70
18	......	......	......	......	......
19	9.80	2.66	12.46	10.72	−1.74
21	9.60	2.66	12.46	10.58	−1.68
22	9.55	2.66	12.21	10.46	−1.75
23	9.60	2.66	12.26	10.48	−1.78
24	9.60	2.65	12.25	10.36	−1.89
25	9.45	2.65	12.10	10.40	−1.70
26	9.45	2.64	12.09	10.26	−1.83
28	9.55	2.66	12.21	10.34	−1.87
29	9.60	2.41	12.01	10.44	−1.57
30	9.60	2.41	12.01	10.44	−1.57
July 1	9.60	2.41	12.01	10.44	−1.57
2	9.60	2.41	12.01	10.40	−1.61
3	......	......	......	......	......
5	......	......	......	......	......
6	9.50	2.39	11.89	10.66	−1.23
7	9.35	2.35	11.70	10.54	−1.16
8	9.20	2.35	11.55	10.42	−1.13
9	9.00	2.33	11.33	10.34	− .99
10	8.90	2.31	11.21	10.28	− .93
12	8.90	2.31	11.21	10.16	−1.05
13	9.05	2.32	11.37	10.18	−1.19
14	9.05	2.23	11.37	10.30	−1.07
15	9.10	2.34	11.44	10.30	−1.14
16	9.25	2.36	11.61	10.30	−1.31
17	9.40	2.38	11.78	10.44	−1.34
19	9.25	2.36	11.61	10.54	−1.07
1915.					
July 20	9.15	2.36	11.51	10.28	−1.23
21	9.25	2.36	11.61	10.28	−1.33
22	9.15	2.35	11.50	10.38	−1.12
23	9.25	2.35	11.60	10.26	−1.34
24	9.20	2.36	11.56	10.42	−1.14
26	9.05	2.36	11.41	10.30	−1.11
27	9.10	2.36	11.46	10.30	−1.16
28	9.35	2.40	11.75	10.40	−1.35
29	9.35	2.40	11.75	10.60	−1.15
30	9.30	2.39	11.69	10.60	−1.01
31	9.30	2.40	11.70	......	......
Aug. 2	9.30	2.39	11.69	......	......
3	9.25	2.39	11.64	10.68	− .96
4	9.35	2.39	11.74	10.72	−1.02
5	9.40	2.40	11.80	10.96	− .84
6	9.45	2.40	11.85	11.06	− .79
7	9.45	2.42	11.87	11.06	− .81
9	9.45	2.42	11.87	10.94	− .93
10	9.25	2.41	11.66	10.72	− .94
11	9.45	2.41	11.86	10.74	−1.12
12	9.45	2.46	11.91	10.92	− .99
13	9.30	2.47	11.77	10.86	− .91
14	9.30	2.52	11.82	10.80	−1.02
16	9.25	2.57	11.82	10.88	− .94
17	9.25	2.60	11.85	10.92	− .93
18	9.35	2.60	11.95	10.90	−1.05
19	9.40	2.60	12.00	10.96	−1.04
20	9.35	2.56	11.91	10.84	−1.07
21	9.20	2.57	11.77	10.84	− .93
23	9.20	2.57	11.77	10.78	− .99
24	9.30	2.60	11.90	10.84	−1.06
25	9.30	2.61	11.91	10.98	− .93
26	9.50	2.67	12.17	11.00	−1.17
27	9.65	2.67	12.32	11.26	−1.06
28	9.85	2.71	12.56	11.36	−1.20
30	9.75	2.74	12.49	11.62	− .87
31	9.85	2.83	12.68	11.46	−1.22
Sept. 1	9.75	3.16	12.91	11.88	−1.03
2	9.85	3.07	12.92	11.82	−1.10
3	9.85	2.96	12.81	11.56	−1.25
4	......	......	......	......	......
6	......	......	......	......	......
7	9.80	2.98	12.78	11.56	−1.22
8	10.00	2.92	12.92	11.78	−1.14
9	10.20	2.86	13.06	11.96	−1.10
10	10.10	2.88	12.98	12.24	− .74
11	10.10	2.90	13.00	12.24	− .76
13	10.35	2.88	13.23	12.22	−1.01
14	10.45	2.86	13.21	12.54	− .77
15	10.75	2.86	13.61	12.72	− .89
16	10.80	2.78	13.58	12.88	− .70
17	10.90	2.76	13.66	12.88	− .78
18	10.70	2.78	13.48	12.68	− .80
20	10.85	2.76	13.61	12.52	−1.09
21	11.25	2.80	14.05	12.86	−1.19
22	11.40	2.83	14.23	13.10	−1.13
23	11.35	2.83	14.18	13.18	−1.00
24	11.55	2.85	14.40	13.18	−1.22
25	11.70	2.90	14.60	13.52	−1.08
27	12.00	2.90	14.90	13.76	−1.14
28	12.40	2.90	15.30	14.08	−1.22
29	11.90	2.86	14.76	14.08	− .68
30	12.00	2.86	14.86	13.70	−1.16
Oct. 1	11.90	2.86	14.76	13.94	− .82
2	11.85	2.86	14.71	13.72	− .99
4	12.50	2.95	15.45	13.80	−1.65
5	12.75	2.98	15.73	14.50	−1.23
6	12.45	2.95	15.40	14.48	− .92
7	12.55	2.95	15.50	14.36	−1.14
8	12.50	3.00	15.50	14.48	−1.02
9	12.30	3.00	15.30	14.36	− .94

[In cents.]

1	2	3	4	5	6
Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3).	Liverpool spot quotations.	Difference.
1915.					
Oct. 11	12.50	3.02	15.52	14.08	−1.44
12	....	....	....	....	....
13	12.50	3.00	15.50	14.66	− .84
14	12.40	3.00	15.40	14.54	− .86
15	12.45	3.02	15.47	14.46	−1.01
16	12.40	2.97	15.37	14.48	− .89
18	12.50	2.97	15.47	14.58	− .89
19	12.65	2.99	15.64	14.50	−1.14
20	12.65	3.02	15.67	14.56	−1.11
21	12.40	3.02	15.42	14.56	− .86
22	12.45	3.06	15.51	14.24	−1.27
23	12.45	3.11	15.56	14.40	−1.16
25	12.35	3.13	15.48	14.40	−1.08
26	12.10	3.09	15.19	14.30	− .89
27	12.15	3.10	15.25	14.16	−1.09
28	11.85	3.05	14.90	14.20	− .70
29	12.30	3.06	15.36	14.04	−1.32
30	12.25	3.09	15.34	14.08	−1.26
Nov. 1	11.95	3.03	14.98	14.20	− .78
2	....	....	....	13.70	....
3	11.80	3.03	14.83	13.70	−1.13
4	11.80	3.02	14.82	13.84	− .81
5	11.90	3.04	14.94	13.82	−1.98
6	11.65	2.98	14.63	13.82	− .12
8	11.60	2.97	14.57	13.66	− .91
9	11.60	3.02	14.62	13.70	− .92
10	11.75	3.02	14.77	13.76	−1.01
11	11.85	3.02	14.87	13.92	− .95
12	11.80	3.03	14.83	14.02	− .81
13	11.95	3.03	14.98	14.02	− .96
15	11.90	3.02	14.92	14.16	− .76
16	11.80	3.02	14.82	14.04	− .78
17	11.70	2.99	14.69	13.94	− .75
18	11.75	2.96	14.71	13.92	− .79
19	11.75	2.94	14.69	14.12	− .57
20	11.75	2.96	14.71	14.06	− .65
22	11.75	2.94	14.69	14.12	− .57
23	11.70	2.92	14.62	13.98	− .64
24	11.85	2.94	14.79	14.08	− .71
[1] 25	....	....	....	....	....
26	12.30	3.02	15.32	14.56	− .76
27	12.45	3.00	15.45	15.16	− .29
29	12.50	3.00	15.50	15.10	− .40
30	12.40	2.98	15.38	14.90	− .48
Dec. 1	12.55	2.99	15.54	14.90	− .64
2	12.40	2.99	15.39	15.10	− .29
3	12.45	3.00	15.45	15.00	− .45
4	12.50	2.99	15.49	15.02	− .47
6	12.60	2.99	15.59	15.12	− .47
7	12.75	2.98	15.73	15.32	− .41
8	12.70	3.57	16.27	15.54	− .75
9	12.65	3.55	16.20	15.54	− .66
10	12.50	3.56	16.06	15.32	− .74
11	12.35	3.56	15.91	15.38	− .58
13	12.15	3.58	15.73	15.10	− .63
14	12.25	3.56	15.81	15.08	− .73
15	12.30	3.56	15.86	15.00	− .86
16	12.20	3.55	15.75	15.06	− .69
17	11.95	3.56	15.51	14.94	− .57
18	12.05	3.55	15.60	14.78	− .82
20	12.10	3.55	15.65	15.00	− .65
21	12.10	3.55	15.65	15.10	− .55
22	12.10	3.80	15.90	15.26	− .64
23	12.05	3.80	15.85	15.26	− .59
24	12.15	3.81	15.96	....	....
[1] 25	....	....	....	....	....
27	12.35	3.79	16.14	....	....
28	12.35	3.79	16.14	15.56	− .58
29	12.20	3.77	15.97	15.64	− .33
30	12.30	3.77	16.07	15.50	− .57
31	12.40	3.79	16.19	15.84	− .35

1	2	3	4	5	6
Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3.)	Liverpool spot quotations.	Difference.
1916.					
Jan. [1] 1	....	....	....	....	....
2	....	....	....	....	....
3	12.40	3.80	16.20	16.02	−0.18
4	12.40	4.34	16.74	16.24	− .50
5	12.45	4.32	16.77	16.56	− .21
6	12.45	4.28	16.73	16.70	− .03
7	12.55	4.37	16.92	16.44	− .48
8	12.60	4.33	16.93	16.36	− .57
10	12.60	4.35	16.95	16.58	− .37
11	12.50	4.33	16.83	16.42	− .41
12	12.50	4.32	16.82	16.34	− .48
13	12.50	4.33	16.83	16.40	− .43
14	12.50	4.34	16.84	16.12	− .72
15	12.50	4.26	16.86	16.24	− .62
17	12.50	4.33	16.83	16.48	− .35
18	12.50	4.33	16.83	16.54	− .29
19	12.40	4.31	16.71	16.56	− .15
20	12.20	4.29	16.49	16.24	− .25
21	12.30	4.32	16.62	16.18	− .44
22	12.35	4.31	16.66	16.42	− .24
24	12.20	4.29	16.49	16.36	− .13
25	12.20	4.27	16.47	16.26	− .21
26	12.10	4.26	16.36	16.22	− .14
27	11.95	4.25	16.20	16.16	− .04
28	11.85	4.26	16.11	15.86	− .25
29	11.95	4.25	16.20	15.76	− .44
31	11.80	4.26	16.06	15.64	− .42
Feb. 1	11.90	4.27	16.17	15.32	− .85
3	12.00	4.27	16.27	15.58	− .69
4	12.00	4.27	16.27	15.78	− .49
5	11.90	4.29	16.19	15.84	− .35
7	11.95	4.29	16.24	15.84	− .40
8	12.10	4.28	16.38	15.96	− .42
9	12.10	4.29	16.39	16.20	− .19
11	12.10	4.28	16.38	16.12	− .26
12	....	....	....	16.14	....
14	12.00	4.55,	16.55	16.22	− .33
15	11.95	4.55	16.50	16.10	− .40
16	11.85	4.54	16.39	15.84	− .55
17	11.60	4.52	16.12	15.78	− .34
18	11.55	4.50	16.05	15.64	− .41
19	11.45	4.77	16.22	15.66	− .56
21	11.35	4.76	16.11	15.54	− .57
[1] 22	....	....	....	....	....
23	11.55	4.78	16.33	15.44	− .89
24	11.30	4.76	16.06	15.62	− .44
25	11.30	4.78	16.08	15.44	− .64
26	11.20	4.69	15.89	15.46	− .43
28	11.25	4.69	15.94	15.48	− .46
29	11.35	4.70	16.05	15.42	− .63
Mar. 1	11.45	4.71	16.16	15.54	− .62
2	11.55	4.71	16.26	15.50	− .76
3	11.60	4.80	16.40	15.68	− .72
4	11.55	4.81	16.36	15.66	− .70
6	11.75	4.81	16.56	15.64	− .92
7	11.65	4.81	16.46	15.56	− .90
8	11.65	4.81	16.46	15.44	−1.02
9	11.90	4.81	16.71	15.52	−1.19
10	11.90	4.80	16.70	15.62	−1.08
11	11.80	4.81	16.61	15.60	−1.01
13	11.90	4.81	16.71	15.54	−1.17
14	12.00	4.81	16.81	15.72	−1.09
15	11.95	4.81	16.76	15.72	−1.04
16	12.00	4.81	16.81	15.64	−1.17
17	11.95	4.80	16.75	15.74	−1.01
18	11.95	4.81	16.76	15.62	−1.14
20	12.05	4.81	16.86	15.64	−1.22
21	12.00	4.81	16.81	15.64	−1.17
22	12.00	4.81	16.81	15.54	−1.27
23	12.00	4.81	16.81	15.56	−1.25
24	12.05	4.80	16.85	15.46	−1.39

[1] Holiday.

[In cents.]

1	2	3	4	5	6	1	2	3	4	5	6
Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3.)	Liverpool spot quotations.	Difference.	Date.	New York spots.	Estimated approximate cost to land at Liverpool.	Estimated approximate price landed at Liverpool (sums of columns 2 and 3.)	Liverpool spot quotations.	Difference.
1916.						1916.					
Mar. 25	12.05	4.80	16.85	15.38	−1.47	Apr. 13	11.95	3.70	15.65	15.46	−0.19
27	12.05	4.80	16.85	15.40	−1.45	14	11.95	3.67	15.62	15.56	− .06
28	12.10	4.80	16.90	15.64	−1.26	15	12.00	3.70	15.70	15.68	− .02
29	12.15	4.80	16.95	15.64	−1.31	17	12.00	3.70	15.70	15.70	....
30	12.10	4.80	16.90	15.66	−1.24	18	12.10	3.70	15.80	15.80	....
31	12.10	4.79	16.89	15.54	−1.35	19	12.00	3.70	15.70	15.78	+ .08
Apr. 1	12.00	4.24	16.24	15.40	− .84	20	12.10	3.70	15.80	15.64	− .16
3	12.00	4.24	16.24	15.30	− .94	21	....	....	....	....	....
4	11.95	4.24	16.19	15.30	− .89	22	....	....	....	....	....
5	12.00	4.24	16.24	15.16	−1.08	24	12.05	3.70	15.75	....	....
6	12.05	4.24	16.29	15.14	−1.15	25	12.15	3.71	15.86	15.64	− .22
7	12.00	4.22	16.22	15.24	− .98	26	12.10	3.71	15.81	15.70	− .11
8	12.05	3.70	15.75	15.18	− .57	27	12.15	3.71	15.86	15.74	− .12
10	12.05	3.70	15.75	15.26	− .49	28	12.20	3.70	15.90	15.88	− .02
11	12.05	3.70	15.75	15.32	− .43	29	12.20	3.72	15.92	15.90	− .02
12	12.00	3.70	15.70	15.52	− .18						

TABLE 4.—NEW YORK SPOTS AND FUTURES AND NEW ORLEANS SPOTS AND FUTURES.

This table covers the period of time from February 1, 1915, to April 29, 1916. It shows the difference between the spot prices and the future quotations for the current month at New York and New Orleans, respectively.

An examination of this table reveals the fact that future quotations in New York have been at a slight discount compared with spots in that market at all times, with two exceptions, during the time covered by the table. What might be termed the normal discount of futures in the New York market seems to be about 30 points, but during May, 1915, an extreme discount of 73 points was reached, and during July, 1915, the average discount was about 40 points. At all other times the price of futures and spots have been reasonably close together, and thus it may be stated that future quotations have fairly reflected the value of spot cotton in New York at practically all times since the cotton futures act went into effect.

A study of the figures with reference to spot and future quotations in New Orleans discloses the fact that a very close relation has existed between the two sets of quotations ever since the cotton futures act has been in effect. At times future quotations in that market have been at a slight premium over spots, amounting to as much as 46 points, which was on October 4, 1915; but the normal position of future quotations was at a slight discount as compared with spots, and their extreme discount was 55 points, on July 10, 1915. It will be seen that, with the exception of a few days, futures at New Orleans have reflected accurately the value of spot cotton in that city since the cotton futures act became effective.

[In cents.]

Date.	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.	Date.	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.
1915.							1915.						
Feb. 1	8.50	8.37	−0.13	8.06	8.00	−0.06	Feb. 8	8.65	8.37	−0.28	8.18	7.99	−0.19
2	8.60	8.38	− .22	8.12	8.06	− .06	9	8.65	8.37	− .28	8.18	8.01	− .17
3	8.60	8.30	− .30	8.12	7.90	− .22	10	8.65	8.36	− .29	8.18	7.98	− .20
4	8.70	8.44	− .26	8.12	8.00	− .12	11	8.65	8.28	− .37	8.18	8.00	− .18
5	8.65	8.37	− .28	8.18	7.95	− .23	[1] 12	....	....	....	....	....	....
6	8.65	8.33	− .32	8.18	7.92	− .26	13	8.55	8.20	− .35	8.16	7.90	− .26

[1] Holiday.

[In cents.]

Date.	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.
1915.						
Feb. 15	8.55	8.15	−0.40	8.06	7.90	−0.16
16	8.55	8.22	−.33	......	......	......
17	8.55	8.12	−.43	7.94	7.80	−.14
18	8.55	8.22	−.33	7.88	7.85	−.03
19	8.55	8.40	−.15	7.88	7.75	−.13
20	8.55	8.38	−.17	7.88	7.75	−.13
22[1]	......	......	......	......	......	......
23	8.35	8.11	−.24	7.75	7.78	+.03
24	8.35	8.22	−.13	7.75	7.87	+.12
25	8.35	8.26	−.09	7.75	7.95	+.20
26	8.35	8.28	−.07	......	......	......
27	......	......	......	......	......	......
Mar. 1	8.25	8.17	−.08	7.75	7.90	+.15
2	8.45	8.35	−.10	7.81	8.09	+.28
3	8.60	8.50	−.10	7.81	8.20	+.39
4	8.55	8.36	−.19	7.81	8.08	+.27
5	8.65	8.48	−.17	7.94	8.26	+.32
6	8.75	8.62	−.13	8.00	8.36	+.36
8	8.75	8.59	−.16	8.00	8.35	+.35
9	8.75	8.50	−.25	8.13	8.30	+.17
10	8.85	8.67	−.18	8.26	8.46	+.20
11	8.85	8.67	−.18	8.38	8.46	+.08
12	8.80	8.54	−.26	8.38	8.34	−.04
13	8.80	8.52	−.28	8.38	8.37	−.01
15	8.90	8.61	−.29	8.44	8.42	−.02
16	8.90	8.64	−.26	8.50	8.48	−.02
17	8.95	8.65	−.30	8.50	8.50	−.00
18	8.95	8.61	−.34	8.37	8.45	+.08
19	8.95	8.61	−.34	8.25	8.43	+.18
20	9.05	8.72	−.33	8.25	8.56	+.31
22	9.15	8.82	−.33	8.38	8.62	+.24
23	9.20	9.02	−.18	8.50	8.63	+.13
24	9.30	9.15	−.15	8.50	8.81	+.31
25	9.55	9.41	−.14	8.63	8.98	+.35
26	9.55	9.25	−.30	8.75	8.82	+.07
27	9.65	9.36	−.29	8.75	9.03	+.28
29	9.65	9.36	−.29	8.88	8.97	+.09
30	9.65	9.47	−.18	8.88	9.11	+.23
31	9.80	9.56	−.24	9.06	9.24	+.18
Apr. 1	9.80	9.50	−.30	9.06	9.20	+.14
2[1]	......	......	......	......	......	......
3	9.90	9.61	−.29	......	......	......
5	9.90	9.56	−.34	9.19	9.29	+.10
6	10.05	9.68	−.37	9.31	9.40	+.09
7	9.95	9.53	−.42	9.31	9.22	−.09
8	9.80	9.45	−.35	9.18	9.10	−.08
9	10.00	9.63	−.37	9.19	9.29	+.10
10	10.15	9.73	−.42	9.31	9.46	+.15
12	10.10	9.64	−.46	9.37	9.37	+.00
13	10.15	9.73	−.42	9.37	9.42	+.05
14	10.15	9.80	−.35	9.37	9.31	−.06
15	10.15	9.80	−.35	9.37	9.50	+.13
16	10.30	9.90	−.40	9.43	9.72	+.29
17	10.35	9.98	−.37	9.50	9.58	+.08
19	10.45	10.07	−.38	9.56	9.69	+.13
20	10.45	10.10	−.35	9.56	9.69	+.13
21	10.40	9.98	−.42	9.56	9.55	−.01
22	10.50	10.15	−.35	9.56	9.70	+.14
23	10.60	10.26	−.34	9.68	9.69	+.01
24	10.60	10.23	−.37	9.68	9.81	+.13
26	10.60	10.19	−.41	9.68	9.86	+.18
27	10.50	10.10	−.40	9.62	9.79	+.17
28	10.50	10.10	−.40	9.56	9.86	+.30
29	10.50	10.02	−.48	9.43	......	......
30	10.50	10.07	−.43	9.43	9.76	+.33
May 1	10.40	9.88	−.52	9.37	9.62	+.25
3	10.20	9.70	−.50	9.37	9.47	+.10
4	10.30	9.82	−.48	9.25	9.60	+.35
5	10.05	9.43	−.62	9.12	9.15	+.03
6	10.05	9.54	−.51	9.00	9.29	+.29
7	9.85	9.12	−.78	9.00	8.92	−.08
8	9.85	9.23	−.62	9.00	8.85	−.15
10	9.70	9.15	−.55	9.00	8.91	−.09
11	9.85	9.45	−.39	9.00	9.15	+.15
12	9.85	9.22	−.63	9.00	8.89	−.11
13	9.85	9.22	−.63	9.00	8.96	−.04
14	9.70	8.98	−.72	9.00	8.85	−.15
15	9.80	9.08	−.72	9.00	8.85	−.11

Date.	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.
1915.						
May 17	9.65	9.20	−0.45	9.00	8.98	−0.02
18	9.55	9.15	−.40	9.00	9.02	+.02
19	9.60	9.22	−.38	9.00	9.04	+.04
20	9.75	9.38	−.37	9.00	9.20	+.20
21	9.75	9.34	−.41	9.00	9.19	+.19
22	9.80	9.29	−.51	9.00	9.14	+.14
24	9.70	9.31	−.39	9.00	9.18	+.18
25	9.65	9.13	−.53	9.00	9.03	+.03
26	9.50	9.09	−.41	9.00	8.95	−.05
27	.55	9.17	−.38	9.00	8.95	−.05
28	.60	9.18	−.42	9.00	8.93	−.07
29	9.60	9.17	−.43	9.00	8.90	−.10
31[1]	......	......	......	8.93	8.83	−.10
June 1	9.55	9.18	−.37	8.93	8.92	−.01
2	9.60	9.17	−.43	9.00	8.92	−.08
3	9.75	9.37	−.38	9.00	......	......
4	9.75	9.25	−.50	9.13	9.01	−.12
5	9.75	9.27	−.48	9.13	9.00	−.13
7	9.80	9.33	−.47	9.19	9.11	−.08
8	9.80	9.31	−.49	9.25	9.10	−.15
9	9.65	9.14	−.51	9.12	8.90	−.22
10	9.70	9.28	−.42	9.25	9.03	−.22
11	9.75	9.34	−.41	9.25	9.10	−.15
12	9.80	9.33	−.47	9.25	9.08	−.17
14	9.75	9.28	−.47	9.32	9.06	−.26
15	9.85	9.34	−.51	9.38	9.16	−.22
16	9.85	9.37	−.48	9.38	9.13	−.25
17	9.80	9.33	−.47	9.25	9.11	−.14
18	9.80	9.34	−.46	9.12	9.11	−.01
19	9.80	9.32	−.48	9.12	9.08	−.04
21	9.60	9.14	−.46	9.00	8.92	−.08
22	9.55	9.17	−.38	9.00	8.92	−.08
23	9.60	9.24	−.36	9.00	8.96	−.04
24	9.60	9.31	−.29	9.00	8.90	−.10
25	9.45	9.24	−.21	9.00	9.04	+.04
26	9.45	9.21	−.24	9.00	9.00	+.00
28	9.55	9.29	−.26	9.00	9.12	+.12
29	9.60	9.32	−.28	9.00	9.14	+.14
30	9.60	9.34	−.26	9.00	9.15	+.15
July 1	9.60	9.29	−.31	9.00	9.10	+.10
2	9.60	9.28	−.32	9.00	9.06	+.06
3[1]	......	......	......	......	......	......
5[1]	......	......	......	......	......	......
6	9.50	9.26	−.24	9.00	9.08	+.08
7	9.35	9.09	−.26	9.00	8.91	−.09
8	9.20	8.85	−.35	8.88	8.70	−.18
9	9.00	8.65	−.35	8.82	8.59	−.23
10	8.90	8.42	−.48	8.82	8.27	−.55
12	8.90	8.58	−.32	8.63	8.40	−.23
13	9.05	8.59	−.46	8.50	8.46	−.04
14	9.05	8.65	−.40	8.50	8.54	+.04
15	9.10	8.68	−.42	8.50	8.58	+.08
16	9.25	8.95	−.30	8.57	8.92	+.35
17	9.40	8.90	−.50	8.75	8.83	+.08
19	9.25	8.75	−.50	8.63	8.62	−.01
20	9.15	8.68	−.47	8.63	8.61	−.02
21	9.25	8.79	−.46	8.63	8.76	+.13
22	9.15	8.80	−.35	8.63	8.58	−.05
23	9.25	8.88	−.37	8.63	8.68	+.05
24	9.20	8.83	−.37	8.63	8.60	−.03
26	9.05	8.70	−.35	8.63	8.48	−.15
27	9.10	8.69	−.41	8.63	8.54	−.09
28	9.35	8.95	−.40	8.69	8.77	+.08
29	9.35	8.93	−.42	8.69	8.70	+.01
30	9.30	8.90	−.40	8.69	8.65	−.04
31	9.30	8.86	−.44	8.69	8.65	−.04
Aug. 2	9.30	8.83	−.47	8.69	8.67	−.02
3	9.25	8.86	−.39	8.69	8.70	+.01
4	9.35	8.99	−.36	8.69	8.80	+.11
5	9.40	9.02	−.38	8.69	8.90	+.21
6	9.45	9.08	−.37	8.82	8.90	+.08
7	9.45	9.11	−.34	8.82	8.92	+.10
9	9.45	9.06	−.39	8.82	8.81	−.01
10	9.25	8.92	−.33	8.82	8.70	−.12
11	9.45	9.12	−.33	8.82	8.85	+.03
12	9.45	9.10	−.35	8.94	8.84	−.10
13	9.30	9.00	−.30	8.94	8.83	−.11
14	9.30	9.00	−.30	8.94	8.82	−.12

[1] Holiday.

[In cents.]

Date.	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.
1915.						
Aug. 16	9.25	8.93	-0.32	9.00	8.74	-0.26
17	9.25	8.97	- .28	9.00	8.76	- .24
18	9.35	9.09	- .26	9.00	8.92	- .08
19	9.40	9.07	- .33	9.07	8.88	- .19
20	9.35	9.00	- .35	9.07	8.79	- .28
21	9.20	8.93	- .27	9.00	8.67	- .33
23	9.20	8.95	- .25	8.87	8.71	- .16
24	9.30	9.03	- .27	8.87	8.79	- .08
25	9.30	9.10	- .20	8.87	8.74	- .13
26	9.50	9.31	- .19	8.94	9.03	+ .09
27	9.65	9.46	- .19	9.13	9.21	+ .08
28	9.85	9.73	- .12	9.13	9.44	+ .31
30	9.75	9.50	- .25	9.25	9.25	......
31	9.85	9.70	- .15	9.38	(1)	(1)
Sept. 1	9.75	9.60	- .15	9.31	9.36	+ .05
2	9.85	9.69	- .16	9.44	9.45	+ .01
3	9.85	9.68	- .17	9.44	9.36	- .08
[1] 4	......	......	......	......	......	......
[1] 6	......	......	......	......	......	......
7	9.80	9.72	- .08	9.50	9.41	- .09
8	10.00	9.86	- .14	9.50	9.59	+ .09
9	10.20	10.06	- .14	9.63	9.80	+ .17
10	10.10	10.00	- .10	9.69	9.72	+ .03
11	10.10	10.00	- .10	9.82	9.78	- .04
13	10.35	10.25	- .10	10.00	10.09	+ .09
14	10.45	10.40	- .05	10.00	10.20	+ .20
15	10.75	10.77	+ .02	10.25	10.41	+ .16
16	10.80	10.60	- .20	10.38	10.21	- .17
17	10.90	10.60	- .30	10.38	10.20	- .18
18	10.70	10.50	- .20	10.38	10.10	- .28
20	10.85	10.75	- .10	10.38	10.29	- .09
21	11.25	11.05	- .20	10.69	10.66	- .03
22	11.40	11.13	- .27	10.87	10.77	- .10
23	11.35	11.18	- .17	10.87	10.75	- .12
24	11.55	11.34	- .21	11.00	10.90	- .10
25	11.70	11.58	- .12	11.25	11.43	+ .18
27	12.00	11.95	- .05	11.63	11.94	+ .31
28	12.40	12.10	- .30	11.75	12.06	+ .31
29	11.90	11.60	- .30	11.75	11.30	- .55
30	12.00	11.82	- .18	11.75	(2)	(2)
Oct. 1	11.90	11.79	- .11	11.75	(2)	(2)
2	11.85	11.70	- .15	11.75	(2)	(2)
4	12.50	12.28	- .22	11.81	12.27	+ .46
5	12.75	12.50	- .25	12.00	12.45	+ .45
6	12.45	12.43	- .02	12.00	12.33	+ .33
7	12.55	12.33	- .22	12.00	12.28	+ .28
8	12.50	12.26	- .24	12.00	12.16	+ .16
9	12.30	12.05	- .25	12.00	11.96	- .04
11	12.50	12.27	- .23	12.00	12.17	+ .17
12	(1)	(1)	(1)	12.13	12.41	+ .28
13	12.50	12.27	- .23	12.13	12.17	+ .04
14	12.40	12.24	- .16	12.00	12.13	+ .13
15	12.45	12.33	- .12	12.00	12.19	+ .19
16	12.40	12.36	- .04	12.00	12.19	+ .19
18	12.50	12.42	- .08	12.07	12.26	+ .19
19	12.65	12.52	- .13	12.07	12.30	+ .23
20	12.65	12.50	- .15	12.00	12.30	+ .30
21	12.40	12.27	- .13	11.93	12.03	+ .10
22	12.45	12.37	- .08	12.00	12.09	+ .09
23	12.45	12.30	- .15	12.00	12.10	+ .10
25	12.35	12.12	- .23	12.00	11.99	- .01
26	12.10	11.90	- .20	11.93	11.82	- .11
27	12.15	11.88	- .27	11.93	11.84	- .09
28	11.85	11.62	- .23	11.75	11.52	- .23
29	12.30	11.95	- .35	11.75	11.80	+ .05
30	12.25	11.93	- .32	11.75	11.78	+ .03
Nov. 1	11.95	11.62	- .32	11.75	(1)	(1)
2	(1)	(1)	(1)	11.75	11.35	- .40
3	11.80	11.46	- .34	11.62	11.31	- .31
4	11.80	11.46	- .34	11.37	11.35	- .02
5	11.90	11.52	- .38	11.37	11.32	- .05
6	11.65	11.32	- .33	11.37	11.15	- .22
8	11.60	11.31	- .29	11.37	11.04	- .33
9	11.60	11.34	- .26	11.25	11.11	- .14
10	11.75	11.50	- .25	11.25	11.26	+ .01
11	11.85	11.54	- .31	11.38	11.27	- .11
12	11.80	11.52	- .28	11.38	11.25	- .13
13	11.95	11.61	- .34	11.44	11.36	- .08
15	11.90	11.61	- .29	11.44	11.42	- .02
1915.						
Nov. 16	11.80	11.44	-0.36	11.38	11.28	-0.10
17	11.70	11.39	- .31	11.38	11.27	- .11
18	11.75	11.47	- .28	11.38	11.36	- .02
19	11.75	11.49	- .26	11.38	11.32	- .06
20	11.75	11.53	- .22	11.38	11.42	+ .04
22	11.75	11.45	- .30	11.38	11.36	- .02
23	11.70	11.47	- .23	11.38	11.34	- .04
24	11.85	11.66	- .19	11.50	11.55	+ .05
[1] 25	......	......	......	......	......	......
26	12.30	12.10	- .20	11.69	11.99	+ .30
27	12.45	12.32	- .13	11.94	12.18	+ .24
29	12.50	12.18	- .32	12.00	12.08	+ .08
30	12.40	12.19	- .21	12.00	12.07	+ .07
Dec. 1	12.55	12.29	- .26	12.00	12.23	+ .23
2	12.40	12.20	- .20	12.00	12.11	+ .11
3	12.45	12.25	- .20	12.00	12.15	+ .15
4	12.50	12.30	- .20	12.00	12.16	+ .16
6	12.60	12.43	- .17	12.00	12.27	+ .27
7	12.75	12.51	- .24	12.13	12.29	+ .16
8	12.70	12.49	- .21	12.13	12.33	+ .20
9	12.65	12.44	- .21	12.13	12.29	+ .16
10	12.50	12.37	- .13	12.13	12.28	+ .15
11	12.35	12.13	- .22	12.13	11.95	- .18
13	12.15	12.10	- .05	11.94	11.93	- .01
14	12.25	12.00	- .25	11.82	11.81	- .01
15	12.30	12.05	- .25	11.82	11.88	+ .06
16	12.20	11.85	- .35	11.82	11.70	- .12
17	11.95	11.64	- .31	11.82	11.50	- .32
18	12.05	11.78	- .27	11.82	11.66	- .16
20	12.10	11.83	- .27	11.69	11.72	+ .03
21	12.10	11.88	- .22	11.69	11.71	+ .02
22	12.10	11.85	- .25	11.69	11.65	- .04
23	12.05	11.84	- .21	11.69	11.66	- .03
24	12.15	11.92	- .23	11.69	11.72	+ .03
[1] 25	......	......	......	......	......	......
27	12.35	12.14	- .21	11.75	11.87	+ .12
28	12.35	12.16	- .19	11.75	11.94	+ .19
29	12.20	11.96	- .24	11.75	11.75	+ .01
30	12.30	12.10	- .20	11.75	11.91	+ .16
31	12.40	12.23	- .17	11.88	12.02	+ .14
1916.						
Jan. 3	12.40	12.23	- .17	11.88	12.02	+ .14
4	12.40	12.22	- .18	11.94	12.00	+ .06
5	12.45	12.30	- .15	12.00	12.13	+ .13
6	12.45	12.25	- .20	12.00	12.05	+ .05
7	12.55	12.36	- .19	12.00	12.13	+ .13
8	12.60	12.37	- .23	(1)	(1)	(1)
10	12.60	12.38	- .22	12.06	12.12	+ .06
11	12.50	12.32	- .18	12.19	12.08	- .11
12	12.50	12.32	- .18	12.19	12.09	- .10
13	12.50	12.30	- .20	12.19	12.05	- .14
14	12.50	12.30	- .20	12.19	12.08	- .11
15	12.50	12.29	- .21	12.19	12.11	- .08
17	12.50	12.36	- .14	12.19	12.08	- .11
18	12.50	12.33	- .17	12.13	12.07	- .06
19	12.40	12.19	- .21	12.13	11.97	- .16
20	12.20	12.08	- .12	12.13	11.80	- .33
21	12.30	12.16	- .14	12.13	11.92	- .21
22	12.35	12.19	- .16	12.13	11.91	- .22
24	12.20	12.06	- .14	12.13	11.86	- .27
25	12.20	12.04	- .16	12.00	11.88	- .12
26	12.10	12.00	- .10	11.88	11.81	- .07
27	11.95	11.79	- .16	11.88	11.60	- .28
28	11.85	11.89	+ .04	11.88	11.67	- .21
29	11.95	11.81	- .14	11.75	11.55	- .20
31	11.80	11.62	- .18	11.75	11.30	- .45
Feb. 1	11.95	11.76	- .19	11.56	11.42	- .14
2	11.90	11.77	- .13	11.56	11.48	- .08
3	12.00	11.83	- .17	11.56	11.50	- .06
4	12.00	11.74	- .26	11.62	11.45	- .17
5	11.90	11.71	- .19	11.62	11.41	- .21
7	11.95	11.74	- .21	11.62	11.42	- .20
8	12.10	11.96	- .14	11.62	11.67	+ .05
9	12.10	11.88	- .22	11.62	11.62	.00
10	12.15	11.94	- .21	11.62	11.68	+ .06
11	12.10	11.82	- .28	11.62	11.60	- .02
12	(1)	(1)	(1)	11.62	11.61	- .01
14	12.00	11.83	- .17	11.62	11.60	- .02
15	11.95	11.69	- .26	11.56	11.43	- .13

[1] Holiday.

[2] Storm.

[In cents.]

Date	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.
1916.						
Feb. 16	11.85	11.60	−0.25	11.56	11.34	−0.22
17	11.60	11.40	− .20	11.43	11.18	− .25
18	11.55	11.44	− .11	11.37	11.21	− .16
19	11.45	11.28	− .17	11.37	11.02	− .35
21	11.35	11.20	− .15	11.25	11.91	− .34
[1] 22	......	......	......	......	......	......
23	11.55	11.37	− .18	11.25	11.00	− .25
24	11.30	11.19	− .11	11.25	10.88	− .37
25	11.30	11.15	− .15	11.13	10.85	− .28
26	11.20	11.13	− .07	11.13	10.84	− .29
28	11.25	11.16	− .09	11.13	10.85	− .28
29	11.35	11.24	− .11	11.13	11.00	− .13
Mar. 1	11.45	11.25	− .20	11.13	10.99	− .14
2	11.55	11.40	− .15	11.13	11.11	− .02
3	11.60	11.41	− .19	11.13	11.12	− .01
4	11.55	11.47	− .08	11.25	11.24	− .01
6	11.75	11.59	− .16	11.38	11.38	......
7	11.65	11.44	− .21	([2])	([2])	([2])
8	11.65	11.46	− .19	11.50	11.32	− .18
9	11.90	11.74	− .16	11.63	11.55	− .08
10	11.90	11.72	− .18	11.69	11.53	− .16
11	11.80	11.62	− .18	11.69	11.45	− .24
13	11.90	11.79	− .11	11.69	11.67	− .02
14	12.00	11.82	− .18	11.82	11.72	− .10
15	11.95	11.73	− .22	11.88	11.62	− .26
16	12.00	11.84	− .16	11.94	11.69	− .25
17	11.95	11.78	− .17	11.94	11.65	− .29
18	11.95	11.82	− .13	12.00	11.76	− .24
20	12.05	11.93	− .12	12.00	11.84	− .16
21	12.00	11.90	− .10	12.00	11.77	− .23
22	12.00	11.88	− .12	12.00	11.75	− .25
23	12.00	11.82	− .18	12.00	11.64	− .36

Date.	New York spots.	New York futures.	Difference.	New Orleans spots.	New Orleans futures.	Difference.
1916.						
Mar. 24	12.05	11.87	−0.18	11.88	11.68	−0.20
25	12.05	11.87	− .18	11.88	11.70	− .18
27	12.05	11.92	− .13	11.88	11.75	− .13
28	12.10	11.92	− .18	11.88	11.75	− .13
29	12.15	11.95	− .20	11.88	11.78	− .10
30	12.10	11.93	− .17	11.88	11.73	− .15
31	12.10	11.89	− .21	11.88	11.71	− .17
Apr. 1	12.00	11.78	− .22	11.88	11.59	− .29
3	12.00	11.81	− .19	11.88	11.68	− .20
4	11.95	11.78	− .17	11.88	11.64	− .24
5	12.00	11.76	− .24	11.88	11.66	− .22
6	12.05	11.85	− .20	11.88	11.77	− .11
7	12.00	11.75	− .25	11.88	11.62	− .26
8	12.05	11.81	− .24	11.88	11.70	− .18
10	12.05	11.81	− .24	11.88	11.69	− .19
11	12.05	11.83	− .22	11.88	11.70	− .18
12	12.00	11.77	− .23	11.88	11.59	− .29
13	11.95	11.70	− .25	11.88	11.57	− .31
14	11.95	11.72	− .23	11.88	11.63	− .25
15	12.00	11.77	− .23	11.88	11.67	− .21
17	12.00	11.78	− .22	11.88	11.70	− .18
18	12.10	11.89	− .21	([2])	([2])	([2])
19	12.00	11.81	− .19	11.88	11.69	− .19
20	12.10	11.86	− .24	11.88	11.69	− .19
[1] 21	......	......	......	......	......	......
[1] 22	......	......	......	......	......	......
24	12.05	11.83	− .22	11.88	11.64	− .24
25	12.15	11.90	− .25	11.88	11.71	− .17
26	12.10	11.90	− .20	11.88	11.71	− .17
27	12.15	11.93	− .22	11.88	11.73	− .15
28	12.20	11.93	− .27	11.88	11.72	− .16
29	12.20	11.98	− .22	11.88	11.74	− .14

[1] Holiday.

[2] Storm.

The CHAIRMAN. Now continue with your statement.

Mr. BRAND. Would you prefer to have it in graphic form?

Senator SMITH of Georgia. We want it in figures.

Mr. BRAND. We will, from the basis of those very figures you have in mind, and we will be very glad to insert that in the record.

The CHAIRMAN. The reason I made the suggestion was that Mr. Glenny gave us a statement on which we can work, and by having this inserted in this form we can digest it at our leisure.

Mr. BRAND. Just briefly, for comparison with the widening differences that were presented by Mr. Glenny, I want to call your attention to the course of freight—I will not go into it in the same detail, but on July 3, 1914, the rate on cotton to Liverpool from New York was 28 cents per hundred (July 3, 1914, was prior to the outbreak of the war); on January 2, 1915, after the outbreak of the war, it had risen to 75 cents; on June 5, 1915, it had risen to $1.25 per hundred; by January 22, 1916, it had risen to $2.50 per hundred, or $12.50 per bale.

The CHAIRMAN. You will also continue that in the statement you will furnish in response to the suggestion?

Mr. BRAND. Yes, sir; I will be glad to.

(Herewith is printed the table to which reference is made above:)

TABLE 5.—OCEAN FREIGHT RATES FROM NEW YORK AND NEW ORLEANS TO LIVERPOOL.

This table covers the period of time between January 2, 1914, and April 19, 1916. It shows the quoted freight rates on cotton in cents per 100 pounds from New York to Liverpool and from New Orleans to Liverpool. It is understood that each quotation is in effect until the date of the next succeeding quotation.

It will be noted that the freight rates have increased more than tenfold over the normal rate that existed prior to the outbreak of war in Europe. This great increase in freight seems to have been the chief determining factor for the increase in the value of cotton in English over American markets.

[Each quotation is in effect until the date of the next succeeding quotation.]

Date.	Freight on cotton from New York to Liverpool, per 100 pounds.	Date.	Freight on cotton from New Orleans to Liverpool, per 100 pounds.	Date.	Freight on cotton from New York to Liverpool, per 100 pounds.	Date.	Freight on cotton from New Orleans to Liverpool, per 100 pounds.
1914.		1914.		1915.		1915.	
Jan. 2	$0.28	Jan. 2	$0.31	Apr. 15	$1.50	Apr. 5	$1.60
Jan. 8	.20	Jan. 6	.33			Apr. 21	1.45
Jan. 15	.28	Jan. 13	.35	May 1	1.25	May 7	1.15
		Jan. 24	.37	June 29	1.00	June 14	1.00
Feb. —	.28	Feb. 5	.33	July —	1.00	July 27	.90
		Feb. 17	.32	Aug. —	1.00	Aug. 4	1.00
Mar. 9	.20	Mar. 11	.30			Aug. 10	1.15
Apr. —	.20	Apr. —	.30	Sept. 1	1.25	Sept. 1	1.25
May —	.20	May 15	.28			Sept. 22	1.10
June —	.20	June —	.28	Oct. —	1.25	Oct. 4	1.40
July —	.20	July —	.28			Oct. 14	1.30
Aug. —	.20	Aug. 3	[1] .28-.833			Oct. 20	1.20
Sept. 8	.40	Sept. 24	.50	Nov. —	1.25	Nov. 2	1.35
Sept. 15	.35					Nov. 10	1.50
Oct. —	.35	Oct. 15	.45			Nov. 19	1.60
		Oct. 23	.55			Nov. 29	1.70
		Oct. 29	.60	Dec. 8	1.75	Dec. 8	2.00
Nov. 2	.50	Nov. 11	.65	Dec. 22	2.00		
Nov. 16	.60						
Dec. 1	.75	Dec. 1	.70	1916.		1916.	
		Dec. 4	.75	Jan. 4	2.50	Jan. 5	3.00
		Dec. 11	.85	Feb. 14	2.75	Feb. —	3.00
		Dec. 12	1.00	Feb. 19	3.00		
				Mar. —	3.00	Mar. 2	2.90
1915.		1915.				Mar. 17	2.50
Jan. 15	1.00	Jan. —	1.00			Mar. 27	2.25
Jan. 23	1.25			Apr. 1	2.50	Apr. 4	2.00
Feb. 23	1.50	Feb. 6	1.25	Apr. 8	2.00	Apr. 17	2.10
		Feb. 23	1.10			Apr. 19	2.25
Mar. 23	2.00	Mar. 25	1.40				
		Mar. 31	1.50				

[1] Nominal.

Senator SMITH of Georgia. You will put in your statement the elements of expense of each one of these dates, so that we can see how the cost of putting the cotton there compared to the difference in the two prices?

Mr. BRAND. I have compared the differences with the freight by longer periods. In the case of the freight the curve there also was an irregular curve, and we can show those freight quotations, and I might say that freight quotations, like other quotations, vary. Not every firm pays the maximum and not every firm pays the minimum of berth rate, but this is supposed to represent the average berth rate.

Senator JOHNSON of South Dakota. Mr. Chairman, let me ask the Doctor a question, please, which will probably show I do not know

anything about cotton, which is true. Does the relative price between spots and futures—in other words, does the grade of cotton make any difference between the relative price of spots and futures?

Mr. BRAND. Formerly, because of the opportunity of overvaluing certain grades and undervaluing others, that relationship was destroyed; that is the relationship that we always wish to maintain. Under the law, where the differences in value are fixed by commercial methods that has been largely removed, and the two move along in very fair relationship.

The CHAIRMAN. Now, Dr. Brand, as I understand it, one of the paramount objects of sections 11 and 11A is to bring about, if possible, the universal adoption of American standards of cotton and American contracts?

Mr. BRAND. Yes; Mr. Chairman.

Senator SMITH of South Carolina. And you penalize them to make them do it.

The CHAIRMAN. And that is a desirable thing, if that is attained; is that the point?

Mr. BRAND. It is a highly desirable thing, a thing which the whole cotton trade, including the exchanges which have not adopted, but which we believe will adopt it in due course, which all have worked toward and expressed themselves in favor of, which is a very substantial basis for hope of progress in that direction. Furthermore, to eliminate sections 11 and 11A removes a great impelling motive to the adoption of American standards.

Senator SMITH of South Carolina. Will you explain what is the character of the impulse?

Mr. BRAND. There are two. First, and we hope that this will be altogether sufficiently effective, the power given to the Secretary to determine the fact of substantial compliance with respect to the contract. We believe that the variation in standards is of a sufficiently well-agreed-upon character that they will "come across" on that proposition if the other impediments are removed. Then, assuming that they do not, it denies them the privilege of trading over here, and we believe that they will esteem that privilege very highly and will take many steps to reserve it to themselves.

Senator SMITH of South Carolina. And also restrict to a degree trading from this side over there?

Mr. BRAND. It restricts the purely speculative straddling transactions, but not the hedging transactions.

The CHAIRMAN. That is what we want to come to next—that is, that sections 11 and 11A will prevent straddling transactions.

Mr. BRAND. In event of nonagreement as to standards, you may strip it down to that.

Senator SMITH of South Carolina. You do not prohibit a deal on this side, outside of delivering the standard grade, or prohibit him in any form of dealing as long as he conforms with the law on this side; but when he starts to deal on the other side you restrict him to spot delivered?

Mr. BRAND. That is, the hedging business.

The CHAIRMAN. But if he adopts the standard, he will have the same privilege there as here. Is that the point?

Mr. BRAND. Yes.

Senator SMITH of South Carolina. In your opinion, it does not affect the spot market on this side to do that?

Mr. BRAND. In my opinion—and that opinion is growing stronger—the effect of excessive straddling on this side is likely to be far more disastrous than hedge selling in Liverpool.

Senator SMITH of South Carolina. You mean domestic straddling?

Mr. BRAND. Straddling of any character.

Senator SMITH of South Carolina. It is permitted under this bill?

Mr. BRAND. Yes. I do not claim we have determined all of the facts in this straddle business, and we are carrying on a study of the matter and we are going further with it. There is a great deal to learn about straddling.

In that connection I want to call your attention to the situation in the grain trade. We are studying it to help us about other products as well. We are not confining our study to cotton by any means.

The Philadelphia Export Co., to whom I addressed an inquiry regarding the matter, states [reading]:

At the present time the grain business is done on a strictly merchandising basis. We have never used the foreign markets as a basis of our hedges. We consider that the markets in this country offer the safest protection as hedges, because we can get out instantly in case we decide upon some particular program. We hardly think there would be very much of an opportunity to make money playing the spreads between the grades in this country and those of Liverpool, * * *.

That is from Philadelphia.

Among the largest of the grain-trading firms in the United States is the Armour Grain Co. They say:

We ourselves have from time to time worked some business spreading between the Liverpool and American markets, but we must say that it is of the liveliest and most risky proportions that we know of in the grain trade to attempt a successful handling of that class of business. Take it all around, we know of no greater risk in trade than to attempt to work such business.

The Baltimore Grain Co. says [reading]:

We ourselves have not made any use of the Liverpool grain option market, nor do we think that any of the merchants here operate therein. The means of communication with Liverpool are not rapid enough for such operations to be carried on successfully, and, in our experience, the course of prices in that market is not usually the same as here.

I want to say that in the case of cotton the means of communication are instant, absolutely instantaneous. In normal times we do not have so much interruption of cables, and the cotton markets are almost in as close touch with Liverpool as they are with the sister markets of the United States. So that does not at all apply to cotton [reading]:

We presume that most of the merchants here are doing their business like we are; that is, selling grain to Europe on actual orders, and that the business of working on straddling business between the two markets, as you put it, is not one that can be combined with a legitimate export business.

Here is the case of one other firm. I will not go any further into this file, but I want to have before the gentlemen of the committee the situation with reference to other commodities. This is from a New Orleans firm [reading]:

Replying to your favor of the 5th instant, relative to the use made of the future grain markets in Liverpool, it is possible that the Liverpool market may be used occasionally by American merchants, by placing hedges on export grain,

but I hardly think this would apply except in case of consignments. The Liverpool market is a very narrow one compared with Chicago, and we would not think of placing any hedges on that market on export, and certainly not on domestic grain.

It is possible that some of our grain merchants, as do cotton speculators, may "play the spread" between future markets in the United States and Liverpool, but these are transactions which, in our opinion, are outside of the ordinary business created by supply and demand, and are therefore speculative.

With reference to cotton, it is only fair to say that it is a much broader market, in comparison, though not as broad a market as the New York market.

The CHAIRMAN. Doctor, I want to ask you a question or two. If sections 11 and 11A in the bill remain, and if the foreign exchanges adopt the American standards of grains and cotton, the American merchant would have the opportunity of buying, selling, and dealing in the foreign exchanges to the same extent as in the American exchanges?

Mr. BRAND. If the sections 11 and 11A were—I did not get the first part of your question.

The CHAIRMAN. I say, if sections 11 and 11A remained in the bill, and if the foreign exchanges adopted the American grades and standards of cotton, then the American dealer would have the same privilege of buying, selling, and dealing on the foreign exchange that he has on the American exchange?

Mr. BRAND. He would, Senator, because as soon as compliance takes place, the utmost freedom of trading also begins.

The CHAIRMAN. Or if they substantially adopt our contracts over there?

Mr. BRAND. Yes.

The CHAIRMAN. And pending their adoption of our contracts the American dealer would have the privilege of buying, selling, and hedging without limit and without paying taxes?

Mr. BRAND. So far as hedging transactions are concerned, yes.

Senator SMITH of South Carolina. And against the actual delivery of his spot?

Mr. BRAND. Yes.

The CHAIRMAN. And pending their adoption of our contracts straddling would be prohibited; is that the idea?

Mr. BRAND. No. The effect of the matter as it is now drafted is to permit our people to hedge just as soon as this takes place.

The CHAIRMAN. But contrarywise, straddling would be prohibited until that time, in fact or substantially?

Mr. BRAND. Yes; and right in that connection I do not think straddling will be of great volume under the law, because people expect sooner or later that somebody is going to deliver cotton to them under the present form of contract, and they do not speculate as freely as they used to, but a serious question will arise, and our studies should give us light on it as we progress, as to whether the American producer is really benefited by straddling transactions. There is a very profound economic question involved that can not be determined by looking at it from the outside.

The CHAIRMAN. It sometimes helps the purchaser and sometimes helps the producer; it is a matter of chance?

Mr. BRAND. Unquestionably. There are many other things, Senator, that could be said. I think, as some Senators who have partici-

pated in our discussions know, that these subjects are so manifold that it takes hours and hours. Personally, I have only two more suggestions that I would like to call to your attention.

Senator SMITH of Georgia. Before you pass from that, I will ask you with reference to the preparation of the original Smith-Lever bill. The bill of Senator Smith of South Carolina, originating in the Senate, which was based upon the use of the mails as a protection. When it reached the House and the privilege of using the taxing power was considered as available, a great deal of very laborious thought as to details was givén to the plan of the original bill, was it not?

Mr. BRAND. That is very true, Senator.

Senator SMITH of Georgia. And the effort was to add details after months of study, both in the department and in Congress, to carry out the spirit and the purposes sought to be accomplished by the original Smith bill of the Senate?

Mr. BRAND. Yes, sir; that is very true. We tried to incorporate, tried to get all of the good features out of the bill and add detail and adapt it to the taxing power.

Senator SMITH of South Carolina. You have got quite a considerable amount of detail.

Mr. BRAND. Oh, yes. It seemed to me, personally, Senator, that most of the points were covered in.

The CHAIRMAN. Before you pass that, Mr. Glenny outlined a transaction yesterday as a possibility, through which evil could result from sections 11 and 11A. I confess I do not understand the mysteries of the market well enough to follow him. It eluded me, but the substance of it was this, that a foreign merchant or combination of foreign merchants might, by manipulation, get a number of American dealers who were dealing bona fide in spot within their grasp or coil and "dress" them. You heard his statement, and that is the best representation I can make. If you have any comment to make on that, we would be glad to hear you.

Mr. BRAND. Mr. Chairman, I have discussed many of these things very frankly, that being among them, as we do always the questions relating to the handling of this law.

I am unable to agree with the position he takes. I question very greatly whether such manipulation as he fears could possibly take place, and he is equally strong in his opinion that it could take place.

Senator SMITH of South Carolina. Who is this you have reference to?

Mr. BRAND. Mr. Glenny, who presented a point yesterday morning.

The CHAIRMAN. Certainly it is a good deal like this, that if you had a million men in a row and had a gun you would kill them all.

Doctor, go ahead and discuss the other two points.

Mr. BRAND. The department, Mr. Chairman, has made just two suggestions of amendment, and I thought it would be wise to call attention to their purpose. On page 79, lines 20 and 21—in line 20 it is suggested for the consideration of the committee that the words "quality, or grade, or the length of staple" be stricken out, and that the word "classification" be substituted therefor.

If I may, I will tell you just in a word the purpose of that suggestion. At the present time, when disputes are submitted to the department, we are compelled by the language of the statute to deter-

mine only the specific question which is raised. In other words, if a sample of cotton is disputed as to grade, the findings of the secretary have no value as to any other question. The result is, that if it is up to grade, but is gin cut or of perishable staple, or of some other of the excluded characters under the fifth subdivision of section 5, the findings do not reach that point, and the same cotton may be retendered that is not truly tenderable. The trade has complained about this, and we believe that it would be well to insert there the word "classification," and then we would determine grade, staple, and other qualities, and give them as complete a classification as they desire.

Senator SMITH of Georgia. And you suggest that we strike out what words and insert what words?

Mr. BRAND. Strike out the words "quality, or the grade, or the length of staple"——

Senator SMITH of Georgia. And then substitute the word "classification"?

Mr. BRAND. Yes.

Senator SMITH of South Carolina. Your interpretation of "grade" is color and foreign matter?

Mr. BRAND. Color only slightly, and foreign matter chiefly.

Then, to complete that change in line 22, after the word "question," insert: "Of the true classification of the said cotton."

Senator SMITH of South Carolina. Why not put in just the word "classification"?

Senator SMITH of Georgia. What do you want with "true"—why not "question of classification"?

Senator SMITH of South Carolina. Why not put in the word "classification" and not insert the word "true"?

Mr. BRAND. I hesitate to take out any word in the legal phraseology of it, after the careful consideration that has been given it.

Senator SHAFROTH. It can not hurt anyway. The true intent is expressed in those words.

Mr. BRAND. It is all very well with the fact that the findings of the Secretary are prima facie evidence in the courts.

Then, a similar change on page 80, in lines 18 and 19: Strike out "quality or grade or length of staple," and substitute "classification."

Senator SMITH of South Carolina. That is to make the balance of the bill conform?

Mr. BRAND. To make it conform.

Senator THOMPSON. The word "true" is there also.

Mr. BRAND. The word "true" is there.

Senator SHAFROTH. So that we may not overlook it——

Mr. BRAND. There is one other, Senator Shafroth. Mr. Glenny makes a suggestion as to the breadth of the meaning of the word "classification." We have found it possible, through our Service and Regulatory Announcements, which the trade follows very carefully, to secure an understanding of a definition which has never been secured before, and that has been a very valuable instrument indeed to us. "Classification" hitherto has not been quite broad enough to cover "quality," but in our Service and Regulatory Announcements, in reaching the trade with a broad definition, we are able to correct and broaden it to include that definition.

Senator SMITH of Georgia. So that you are sure now there will be no difficulty about it including "quality"?

Mr. BRAND. That is the point, Senator. There is one other change on page 85. The act provides two forms of contract, the regulation section 5 contracts, to which we have devoted the most of the morning, and section 10 contracts, which provides for the delivery of specific cotton.

As a matter of fact, contracts for specific cotton are very rarely executed upon the exchanges. However, the trade modifies its practices from time to time, and it might be of advantage to the trade to execute specific contracts upon the exchanges, and section 10, as it stands, which provides for the specific contract, is a little too straight-jacketed. It requires the delivery of the absolute cotton, which it specified, and there may be no variation one way or the other, which is a trade impossibility. Hence we suggest the addition to the fourth subdivision, at the end of line 8, on page 85, after the word "contracts," insert:

Subject to reasonable variations therefrom, which shall be fixed in rules and regulations prescribed by the Secretary of Agriculture.

Just one word of explanation, and I think the point will be clear. The purpose of that is very simple. At the present time certain tolerations are permited in the trade which are desirable and are necessary. The Carolina mill rules have their variations, the Arkwright Club has its variations, the New England Cotton Buyers Association has its variations. The purpose there is to arrive at a reasonable variation, as based upon the practices of the trade, and make it possible to deliver this contract in a practical way. In other words, at the present time they will usually allow a variation of five bales above and a variation of five bales below and still make the cotton a good delivery.

Senator SMITH of South Carolina. Five bales above and five bales below on what sort of a contract?

Mr. BRAND. Whatever the basis is of the contract, which is a specific contract. In other words, if you buy a hundred bales of strict low middling from me, I can deliver five bales of low middling, provided I put in five bales of middling or some better grade above.

Senator SMITH of South Carolina. And does that apply to a contract which has a limit of five bales above and five bales below?

Mr. BRAND. A variation of five per cent, that is what that amounts to. It is a matter of making a contract a practical contract, so that a man could make good delivery if he wanted to.

Senator SMITH of Georgia. What do you think of adding "*Providing, however*, That no delivery shall be authorized outside of the Government standards"?

The CHAIRMAN. If that is not implied it ought to be expressed.

Mr. BRAND. That, I would say, Senator, which is taken up by the cotton-standards act, which logically would precede the enactment of a futures act and, as a matter of fact, in the case of grain the standards act has preceded. That relates to spot transactions and, hence, would be dealt with comprehensively in a standards act.

I would question the wisdom of putting it into a futures act. I think that is a question with very great application and ought to be dealt with comprehensively when it is dealt with at all. Do you agree with that, Mr. Glenny?

Mr. GLENNY. Mr. Chairman, the standards act as contemplated to-day and as enforced to-day only includes nine grades of cotton, and if you put in such a provision as that you are going to shut out the actual sale of all grades in any way excluded, and it is very bad.

Mr. BRAND. That has not been standardized. With respect to that I may say this: It is partly in this way: Twenty-eight of the spot exchanges—that includes all of the important spot exchanges and the two future markets—are using the standards as a basis of their transactions.

The CHAIRMAN. How many spot markets are there?

Mr. BRAND. We can not say how many spot market there are, absolutely, because there are many small spot markets which are truly spot markets. For instance, Paris, Tex., is a spot market particularly during the season of crop movement, but during the present time, for instance, there is very little movement there. There are 28 markets which have adopted the standard, and which have adopted it voluntarily, which goes further to show how well received it is.

Senator SMITH of Georgia. When you select these 28 spot markets by which to determine the value of standard grades, do you take those spot markets that have adopted your standards?

Mr. BRAND. Absolutely; they can not be designated unless they adopt the official standards.

Senator SMITH of Georgia. You have designated the 28 spot markets?

Mr. BRAND. We have designated the 14 spot markets for the purpose of determining the differences. We have designated an additional number to those in actual use in order that if at any time any one of the spot markets used in determining the average differences fails to perform its functions properly, it may be undesignated and another market substituted.

Senator SMITH of South Carolina. When you said a moment ago "real spot markets," and mentioned Paris, Tex., as one, did you say "real spot markets" meaning that those markets adopted the standards or that those were markets where spot cotton was bought and sold?

Mr. BRAND. I mean those that have adopted the standards.

Senator SMITH of South Carolina. Because every market where cotton is bought and sold every day during the season is a spot market. My market of Lynchburg, S. C., is a spot market.

Mr. BRAND. To illustrate where the official standards have been distributed, will only take a second Each of the red spots on this chart [exhibiting chart to the committee] represents 10 sets of the grade standards. The yellow spots show a single set; the blue shows 5 sets; this bright red shows 10 sets; the black and red shows color standards. That gives you an idea of the distribution of the standards. The New Orleans market has 22 sets of official standards, and New York has 32 sets of official standards; Boston 19, I believe, and so on, with something in excess of 700 sets throughout the country. Something like 20 to 25 are in foreign countries.

Senator SMITH of South Carolina. Did I understand you to say a moment ago—I was engaged in conversation, and did not catch the statement—about this 5 per cent off and 5 per cent on—did that mean that you could deliver other grades than those standards by the Government in that 5 per cent off and 5 per cent on?

Mr. BRAND. That is spot transactions and you could do so, just so you counterbalanced.

Senator SMITH of Georgia. You could buy outside of it too?

Mr. BRAND. Yes. As a matter of fact, the idea is to not make the delivery of an even-running 100 bales an impossibility; that is the idea?

The CHAIRMAN. Would not that to some extent mar the whole purpose and operation of this act?

Mr. BRAND. Such a variation in the section 10 contract would only provide for a contract which would be practicable to deliver. It is almost impossible to send 100 bales of absolute middling, and if you required that you set up a technical situation which the buyer might take advantage of and decline to receive delivery of the cotton very frequently.

The CHAIRMAN. Are there any further questions? [After a pause.] Is there any further statement you wish to make, Mr. Brand?

Mr. BRAND. I think of none.

The CHAIRMAN. Be present, so that we may call upon you if we so desire.

We will hear Col. J. S. Williams now.

STATEMENT OF COL. J. S. WILLIAMS, PARIS, TEX.

The CHAIRMAN. Will you kindly state your full name, residence, and occupation?

Col. WILLIAMS. My name is J. S. Williams; residence, Paris, Tex.; and my business is that of a farmer.

The CHAIRMAN. Colonel, we shall be glad to have you state in your own way your views on the pending cotton-futures act.

Col. WILLIAMS. The five evils that Dr. Brand referred to, I take it, through this bill have been to a great extent relieved.

The CHAIRMAN. You admit that they did exist prior to the passage of the act and that since the passage of the act they have been relieved?

Col. WILLIAMS. I do. The purpose of the bill, as it appears to me, is whether our products shall enter the free markets of the world or shall be taxed in order to do so, from a commercial standpoint. How can we levy the tax without its falling upon the producer? I contend it can not be so done.

You may say that it prevents the tax being collected, because the party does not deal with us, or because we do not deal with other parties. If such a condition as that exists, then it must be an intangible tax and must have its effect to the full extent, as though it had been levied and collected. It appears to me so. They provide that you may deal in spots and not be charged for hedging the identical spots which you have purchased, but our cotton in the end is all dealt out in futures and through the exchanges of this country, and the question is, will the futures regulate the spots or will the spots regulate the futures? So I do not know which end of it to take, but if it is a commodity, like all other commodities of our country, that is put in the pit and let the man who plays that it will go down sell it and the one who plays it will go up buy it, we certainly arrive at its value, or at least it fixes the price that the farmer can get for his commodity without any taxation. If taxed I can not see for my life

other than that it falls upon the farmer, and while I admit that it would be a very nice thing to have a standard of grades and standards of contracts, where we could recognize a middling bale of cotton one place as well as another; it would be a beautiful system of bookkeeping, but I do not think that it should be indulged in at the expense of $10 a bale to the farmer in order to satisfy the insane desire of theorists for the purpose of bookkeeping, which is not worth one penny to the farmer.

I tell you that all cotton must be dealt in as futures. After it passes into the hands of the cotton merchant the spinner takes it up. He goes to his merchant—I will illustrate, if you please—he sells them sufficient yardage of cotton to consume a thousand bales. When he sells him that cotton the price is fixed in the future market. It is always a future transaction, and usually six months ahead. They look on the board on that day—whether it be in Manchester, England, or whether it be in Connecticut, South Carolina, Georgia, or anywhere else—and the price of the cotton on the boards of that day regulate the price that he gets for the finished product.

He could not finance that, and no bank would finance that transaction unless that individual could hedge the sale on that day, and while he is selling the finished product he must have the raw material with which to make it, and consequently must deal in the future. When the price is made and the deal is closed, his bank that finances this spinner would be a fool to undertake it unless he could hedge and save himself in any probable decline that might come to the cotton. Therefore he would be forced to deal in futures. If conditions should exist as they do to-day in this country—we have practically the only cotton market that is in the world, and Manchester, England, which have such transactions—he would of necessity be compelled to come to this country. He could not do it without paying 2 cents a pound should sections 11 and 11A be enacted into law through this bill.

Senator SMITH of Georgia. You think it hinders the foreign buyer from buying in this market?

Col. WILLIAMS. Mr. Brand says it does.

Senator SMITH of Georgia. I do not mean on the exchange. I mean it hinders him in his purchase of spots?

Col. WILLIAMS. He can not purchase his stock. He is selling his spots, and he must buy his futures, which will be spots on the day of delivery.

Senator SMITH of Georgia. Why could not the foreign cotton merchant buy spots in the United States?

Col. WILLIAMS. He can buy spots in the United States, but, Senator, no man dealing in large quantities of cotton has got the money with which to invest in the spots, and he must be financed through a bank, and no banker will finance him to buy the spot cotton unless he could likewise sell the futures. So he sells the futures and takes his chances in buying the futures, which may become spots at the time of delivery.

The CHAIRMAN. Colonel, I have heard the objection urged against this— I do not know whether it is true or not—that the foreign merchants were buying spot cotton now and taking the business away from the American cotton merchants to whom it rightfully belonged, because the foreign merchant was not subjected to the tax and the American merchant was subject to the tax.

Col. WILLIAMS. The question is now with section 11A you simply give to the foreigner the same privilege that you give to the American dealer, and the American dealer the same privilege that you have heretofore accorded the foreign buyers.

The CHAIRMAN. And I think it is a part of the meat of the objection that now foreign dealers have the privilege which has been taken away from the American dealers.

Col. WILLIAMS. Yes, and that accounts for the strategy in this country and probably, to my mind, the low price of cotton in this country. They tell us that we are getting a good price for our cotton. If we stop and consider the price of cotton to-day, the purchasing power of a pound of cotton is not nearly so much as it was when cotton sold at 8 cents a pound.

The CHAIRMAN. That is true, but a good many cotton markets are closed, or it would undoubtedly be much higher.

Col WILLIAMS. It has not shared the advance of these war times as all other commodities. There must be a reason for it, and I know of no reason other than that the buyers of cotton were kept off the exchanges in this country.

Senator SMITH of Georgia. Do you not think that excluding it from mills that consume normally over 4,000,000 bales annually would be one of the things that has adversely affected the price of cotton?

Col. WILLIAMS. Well, Senator, the fact is that we know nothing of consumption and have never been able to get it; we know all of production, and the world has it.

Senator SMITH of Georgia. That is true.

Col. WILLIAMS. It has thoroughly been demonstrated that there was not merely enough cotton any way. You say that there is 4,000,000 bales of cotton excluded from the market?

Senator SMITH of Georgia. No; that is not what I said. I said mills that can manufacture 4,000,000 bales annually are now within the territory from which our cotton is excluded.

Col. WILLIAMS. There is substituted for that, mills that enter into the production of explosives and things of that character that make up for it.

Senator SMITH of Georgia. Do you know how much cotton is used in that way?

Col. WILLIAMS. No, sir; I do not.

Senator SMITH of Georgia. Then, you do not know that that is the case?

Col. WILLIAMS. We know that the demand for cotton is very great, and that the price of cotton is not commensurate with the demand.

Senator SMITH of South Carolina. To sustain what he says, I think that the record in this country would show that the time that our own mills have run, those devoted exclusively to cotton manufacture, is far in excess of any time before in the history of this country, taking the number of spindles and the hours that they have run. I think I will be sustained in that by the statistics. There are night and day shifts now in every mill, both North and South, and they are running to their full capacity, employing all of their idle spindles as well as the new spindles that have been installed.

The CHAIRMAN. There is no doubt about that, but the point is that 100,000,000 people in Austria and Germany, and not only the mills

can not get the raw cotton to convert into finished products, but these people can not avail themselves of the finished products, so that that demand of the finished product is cut off.

Senator SMITH of South Carolina. Have we any approximately accurate statistics as to how much cotton, either in the form of raw cotton or the finished products, gets into Germany out of this product?

The CHAIRMAN. It is in this Document No. 9, I think, Senator, and last year it was practically none.

Senator SMITH of Georgia. No, last year in December, January, and February over two and one-half million bales of American-raised cotton went into Germany and Austria. Since the 1st of March, or since the 1st of April, 1915, we can locate practically no cotton from the United States which has gone into either of those two countries.

Senator SMITH of South Carolina. Have you any statistics to show that as the raw cotton has been kept out of Germany there has or has not been a corresponding increase in the finished product going into Germany?

Senator SMITH of Georgia. The finished product has largely been kept out of Germany also, because the action of Great Britain applied to the finished product of cotton equally with the raw material. It is all practically excluded from Germany, and there are mills in Germany, Austria, Belgium, and the portion of France which is within the German lines that normally consumed practically 4,000,000 bales of cotton a year and prior to the war spun 4,000,000 bales of cotton annually, and those mills now are excluded from the use of our cotton.

Senator SMITH of South Carolina. But you are not prepared to say that they get no cotton at all?

Senator SMITH of Georgia. So far as I know they get practically no cotton, and that is my conviction.

The CHAIRMAN. The blockade applies to both raw and finished product.

Senator SMITH of Georgia. I am convinced they get practically no cotton in any substantial quantity.

Senator BRADY. Can that condition be remedied to any extent for the benefit of the United States?

Senator SMITH of Georgia. Certainly; by requiring from Great Britain a recognition of our international rights.

Senator BRADY. That is just exactly what I thought.

The CHAIRMAN. Col. Williams, to keep the record straight, you do not mean to suggest that section 11 has had a depressing effect on the price of cotton as has the exclusion of cotton and cotton fabrics from Germany?

Col. WILLIAMS. No, sir; I do not say it had anything to do with excluding them from Germany.

The CHAIRMAN. It did not have anything to do with it?

Col. WILLIAMS. I think this matter of the exclusion of cotton from Germany is a theory. They seem to shoot and they seem to have cotton clothes, and guncotton and powder, all of which our cottonseed oil enters into from which they are to-day extracting 15 to 20 per cent of glycerin and are manufacturing it into high explosives. Our cotton hulls that were formerly worthless are bringing fabulous prices, which are entering into the production of black

powder, and our linters are going into gun cotton and they keep on shooting.

The CHAIRMAN. I think Germany has substituted wood pulp for that purpose.

Col. WILLIAMS. That is what they say.

Senator SMITH of Georgia. That is true. We have the absolute proof of the substitution of wood pulp for that purpose.

Col. WILLIAMS. They do not need our cotton?

Senator SMITH of Georgia. Not for powder, but for manufacturing plants.

Col. WILLIAMS. My position is that there are people who do need it. I want to let them have it. I do not think that the farmer should be compelled to pay the burden of 2 cents a pound for that privilege in order to make a standardized method of bookkeeping.

The CHAIRMAN. You do not think that section 11 in permitting hedging against spot transactions would relieve that situation?

Col. WILLIAMS. I think not—relieve which situation?

The CHAIRMAN. The situation that you described; preventing them from the attacks.

Senator SMITH of South Carolina. That is the very argument he is making.

Col. WILLIAMS. I said I think if you eliminate sections 11 and 11A that you will go very far toward standardizing and protecting the farmer in the price of his cotton.

The CHAIRMAN. You think that that would have a good effect on the price of cotton?

Col. WILLIAMS. I really think so.

I think this is the greatest piece of constructive legislation that was ever placed upon the Federal statutes for the protection of the producers of cotton, and I have from its inception, that they thought the idea of levying any tolls upon them to satisfy the insane desire of anybody for a theory——

Senator SMITH of Georgia. And you think that is found in sections 11 and 11A; that is the part of the bill to which you object?

Col. WILLIAMS. It is. There has not been one day of active operation on the cotton exchange since this bill went into effect; that spot which we all know many times during every season of my existence was a pandemonium, while now it is like a prayerful country.

Senator BRADY. You seem to be very well advised relative to the situation with respect of farmers, and I wish you would be good enough to tell us what you think the attitude of the farmer, the actual cotton-producing farmer, is toward sections 11 and 11A.

Col. WILLIAMS. To relieve him of the burden of taxation.

Senator SMITH of South Carolina. To strike them out of the bill?

Senator BRADY. You think that is the——

Col. WILLIAMS. There is not one cotton producer upon earth who does not want it, who understands it, and I think, gentleman, you should give them what they want.

The CHAIRMAN. Is it your judgment that the elimination of these two sections and old section 11 would be followed by a material increase in price of cotton?

Col. WILLIAMS. I certainly do; if the exchange fixes the price of our cotton, it undoubtedly will.

Senator SMITH of South Carolina. Have you any doubt the exchange fixes it?

Col. WILLIAMS. There can be no doubt about it, and that is the only medium we have, and the Government and this administration has so legislated into law through their financial policies that we, the farmers, can at this time have the benefits of that exchange, which has never existed heretofore, by holding our cotton and sending it out, as a satisfactory price may be fixed through these exchanges. Mind you, this is a revelation to the farmer, and these expressions have never come from any farmers until recently, because they were led by the demagogue——

Senator SMITH of South Carolina. And he is still abroad.

Col. WILLIAMS (continuing). Believe that all the laws were through the legislation of his country, and if they would leave it to them that they would fix him and they did.

The CHAIRMAN. There used to be a pretty general impression that a great many evils came from the exchange.

Col. WILLIAMS. The evils were as evils were made. They were outrages; they were not evils, but outrages. It was robbery pure and simple, and this bill, with sections 11 and 11A eliminated, fixes it so they are protected; they are safeguarded in all their dealings whether buying or selling.

The CHAIRMAN. Against those abuses?

Col. WILLIAMS. Certainly.

The CHAIRMAN. I do not believe I made myself understood awhile ago, Colonel. Section 11 undertakes to permit hedging against actual spot transactions on foreign exchanges. You think that does not go far enough to reach the real dangers of the situation?

Col. WILLIAMS. It does not. I think that we should be accorded the same degree of liberty in the marketing of our products as all other commodities of this country have, and there is no tax levied upon any other commodity or its transactions than that of cotton, and that is done and specifically stated, in order that they may substantially comply with our grades and contracts, when in truth and in fact we had just as well say that you should make out your exchange in this country in dollars and cents instead of pounds, shillings, and pence. I do not think Mr. Brand, his department, or anybody else can coerce England into doing anything she does not want to do. Germany has failed, and I do not think that we can succeed.

The CHAIRMAN. You think that is out of our jurisdiction?

Col. WILLIAMS. I certainly do.

The CHAIRMAN. Then, of course, it might be desirable to have them conform to our standards and accept our contracts if possible.

Col. WILLIAMS. Mr. Chairman, that is a matter that we tried before Mr. Brand came into this world, and I know and you know—I am sure you know—that there have been three efforts in an international way; we have gone to that country and they have come to this, and tried to reach a conclusion and establish an international grading and international contract; one naturally follows the other.

The CHAIRMAN. Your idea is that whatever may be the idea as to buying and selling futures or dealing in futures on foreign exchanges it is beyond our power to rectify?

Col. WILLIAMS. I do not know that we can levy any tax upon properties in that country.

The CHAIRMAN. If we did, they would probably retaliate here..

Col. WILLIAMS. I think it is wholly impracticable. I think it has no business in the bill. I think it is the dream of a desire to do something else that everybody else has failed to do and will continue through all time to do. That is my opinion, and it is done at the expense of the producer, who has already borne the burdens until they can hardly exist, and those burdens fall upon the women and children of our country, as any of you gentlemen of the South know; they are the ones who harvest and cultivate the cotton.

The CHAIRMAN. Colonel, we are very much obliged to you, unless you have something further.

Senator SMITH of Georgia. Will you not state your occupation, Colonel, in order that it may appear in the record?

Col. WILLIAMS. I am simply a farmer.

Senator SMITH of Georgia. On how large a scale are you farming, that is what I wanted to know—the experience you have had in handling cotton?

Col. WILLIAMS. I have got a good many acres.

Senator SMITH of Georgia. You are a large cotton farmer, and have been interested in it for a great many years, have you not?

The CHAIRMAN. Is that black land?

Col. WILLIAMS. I have one farm of 12,000 acres that is not, but it is not all in cotton. In opposing sections 11 and 11A, however, I am not thinking of myself, but of the small farmer and the small home owner, who raises from 1 to 10 bales of cotton. It is this class of farmers whom the Farmers Union are trying to aid and protect.

The CHAIRMAN. That is a "little farm"? [Laughter.]

Senator SMITH of Georgia. Where is your large farm?

Col. WILLIAMS. That is on the plains.

The CHAIRMAN. We will hear Mr. Calvin, who has an additional statement he desires to make.

STATEMENT OF MR. E. A. CALVIN, MANAGER FARMERS' UNION COTTON CO., HOUSTON, TEX.—Resumed.

Mr. CALVIN. I feel like begging the pardon of the committee for appearing the second time, but I opened the discussion the other day and there have been some views expressed since I addressed the committee which I would like to refer to for a few minutes, and I promise to be very careful in the consumption of time.

The reference made here yesterday that there seemed to be an alliance between the Farmers' Union and the cotton exchanges: I desire to say, gentlemen of the committee, that I know of no such alliance. I have never heard of any such alliance, in fact. On the other hand, I know there is no such alliance, of my own knowledge.

However, if the cotton exchanges and the farmers agree on this bill, I want to state, I am happy to know that that is true. I am glad to know that at last we have been able to reach a common opinion regarding the law that has been passed by our Federal Congress governing cotton exchanges.

I know, as a matter of fact, that members of the Farmers' Union, and many other farmers, for many years fought the cotton exchanges.

That was caused entirely by the unreasonable contracts enforced on the various exchanges, which permitted dealers to manipulate and rob the people. Under the provisions of this bill that condition passed away, and I believe the farmers of this country have sense enough to know that this law is a good thing for them. If the cotton exchanges are for the law, I can not help that. I know it is all right for the farmers, and I believe that every farmer practically in the South to-day will agree to this statement, at least after the experience of 1914, which served the purpose of relieving to some extent the prejudice against cotton exchanges, when, following the declaration of war in Europe, we saw the market go to pieces—we saw a time when the farmer could not market his cotton at all. All of you know what will and does happen when a farmer brings his cotton to town and can not sell it at any price. You know he is going to keep offering it at a lower and lower price until somebody is going to take a shot and buy it purely for speculation. That condition existed all over Texas, and I believe all over the South. We witnessed cotton selling at 8 and 9 cents in one community and less than 10 or 15 miles away at 5 and 6 cents, because nobody had any idea what the market price was or what it would be at any time in the future. That condition served the purpose of opening our minds to some extent.

One Senator stated awhile ago to Col. Williams, "Do you believe that cotton exchanges fix the price?" And Col. Williams said he did. I take issue with Col. Williams on that point. The cotton exchange as such does not deal in cotton or contracts and has nothing to do with fixing the price.

Col. Williams. I did not mean that the cotton exchange fixed the price, but I meant that the dealing on the exchange fixed the price—the transactions.

The Chairman. I thought of raising that point at the time.

Mr. Calvin. I am aware of the fact that there is some prejudice in the country against the price of cotton being fixed by dealers through cotton exchanges. Just one moment, if you will pardon me. Let us see. We will all concede here and now that the price has got to be made by somebody in some way and at some time. There has got to be a price-making medium. That has got to be a cotton exchange or it has got to be an individual or group of individuals. I have always taken the position that the price reflected on the cotton exchange is merely the expression of opinion of the entire world, or those interested and dealing in cotton, as to the value of cotton at that particular moment. If you have a free, open cotton exchange, where all parties can express their opinion as to the value of cotton, do you not believe you have a more ideal condition than you would have if that price was fixed by an individual or by a group of individuals? The price has got to be made so that the "limits," as the cotton man calls them, can be sent to every part of the country every day, so as to purchase cotton.

The Chairman. Meaning when the dealers, through the function of the cotton exchange, properly regulated, recognize, where is the ratio between the supply and the demand and fix that ratio?

Mr. Calvin. Just exactly, and in doing so it practically makes the price of cotton; through that medium the value of cotton is determined.

I was discussing the point about cooperation between the cotton exchanges and the farmers' union, and I said that I was happy to know that there was a common ground on which we can act. I remember two or three years ago when every bank in my State was fighting a bill that you gentlemen proposed to pass. I believe you call it the Federal reserve act. I do not recall now that there was a bank in my State but what was opposed to that act; on the other hand, I do not recall a single farmer that opposed that act at that time. The farmers believed that Congress proposed to give them something for their relief; therefore they were in favor of it, but the banks were opposed to it. Now, the farmers and the banks are together. I suppose that would be called a crime, because, so far as I know, there is not a banker in my State but what is now in favor of the Federal reserve act. The same thing may be said with reference to the cotton-futures bill.

The chairman asked Mr. Brand with reference to a statement made on day before yesterday, when I was speaking of selling futures in Liverpool, as hedges against shipments of cotton from this country, and Senator Smith remarked that he thought at the time that it was sound reasoning, or words to that effect. Mr. Brand said that he thought I must have had a lapse of memory about that time, but I did not. Of course, I understood that every Senator present knew what I meant, that when a contract is sold it must be bought in at some time; but, gentlemen of the committee, do not overlook this fact—and this is the point I was trying to bring out—our cotton is largely marketed in not exceeding four months. During that time the heavy selling of hedges goes on in the Liverpool market. Is there a gentleman here who doubts that will have a tendency to drive that market down? The buying back comes later, you understand. These contracts have to be bought in; but usually the majority of them are bought in after the cotton has passed out of the hands of the farmer; then he is not so interested in the price of cotton.

Senator SMITH of Georgia. There always has to be a purchase as well as a sale?

Mr. CALVIN. Absolutely, Senator.

Senator SMITH of Georgia. So the original question as to the effect on the market price is what the seller is purchasing as compared with what the buyer is buying?

Mr. CALVIN. Just exactly.

Senator SMITH of Georgia. If the buyers are more numerous than the purchasers the price goes up; and if the sellers are more numerous than the purchasers the price goes down?

Mr. CALVIN. It goes down.

The CHAIRMAN. With respect to the necessity of selling a great many hedging contracts during those three or four months that obtains in any case?

Mr. CALVIN. Yes; and, Senator, when you narrow our market by restricting our operations to certain markets, then you make it more onerous on the man who has got the product to sell.

Senator SMITH of Georgia. Would not this, however, be true: If the men who want to buy could not buy at Liverpool and if they buy on our American exchanges, would not that have a tendency to increase purchases on our American exchanges?

Mr. CALVIN. I do not know.

Senator SMITH of South Carolina. If you will allow me just a moment. You are getting two things confused, and that is the actual sale of the spots, as outside of the market, as to the purchase and sale on the board. If you, as Mr. Calvin said, are restricting the transactions as to hedges or future dealings to this one market and the bulk of the cotton going to Europe, and you can not hedge there, what is the inevitable result? It is a question of selling as against your spot transactions here, or selling the market or buying it as you see fit. In this country we do not restrict it at all, but the moment you go to Europe under this bill you have got to deliver actual spot cotton as against the hedge that you sold. That is the point he is making.

Mr. CALVIN. Following that up, Senator, we are restricted to hedging, and naturally most of those hedges will be sales. We must not overlook the fact that Liverpool is naturally a bearish market; that is, its surroundings and environments makes it a bearish market, because they are consumers and manufacturers of cotton goods and not raisers but importers of cotton. Then if we sell our hedges on the Liverpool market, and yet Liverpool dealers speculate and manipulate the market without any restriction whatever, can any man fail to see what the result will be? On the other hand, if from this side merchants, exporters, and buyers are allowed to deal in the Liverpool market with no more restrictions than are imposed on the dealings in domestic markets, they could and would exert a sustaining influence in the market at times when the markets need to be sustained. This bill does not propose to eliminate speculation from the home market, then why should we undertake to prevent our people speculating in foreign markets?

If we leave the matter open and the Liverpool manipulator, aided by the heavy hedge selling from this side, undertakes to drive the market down, and the buyers from this side see a good purchase or a good straddle, they step in and buy and that equalizes and stabilizes the market again. We can not deny the fact that Liverpool exercises a very important controlling influence over the cotton markets of this country, for the price of a product is largely determined by the surplus, if not controlled altogether in this way. Can we afford to give them a club like that over the cotton growers of this country just merely to satisfy our desire or ambition to say to them that you shall adopt our standards of grades and our form of contract. Gentlemen, I want to say to you that it is not fair to the southern farmers, you can say what you please about it. It is a beautiful theory, and, as Col. Williams said, it will perhaps shorten the bookkeeping to some extent, but take the man to-day, who exports cotton and acts as the middle man between the farmer and the final buyer, who understands the variations—he is an expert; he understands all the conditions of the Liverpool market and he makes his figures accordingly. It would relieve him of some trouble, it would relieve him of some figuring, and so on, but would it relieve the farmer, and is it worth the price? I am not going to say that cotton is selling at 2 cents a pound less than if that tax was not on it, but I dare any man to get up and say it is not.

The CHAIRMAN. We will know when this bill passes.

Mr. CALVIN. The tax is there, and no man can say cotton is up because of the tax any more than I can say it is bringing 2 cents a

pound less; but we do know that when we restrict a market that we are going to affect the price of the commodity dealt in. When we put an embargo upon the shipments of a commodity to any particular country, as we have on cotton in a way, then it is just as effective, but to a less extent, as if we should put an embargo upon the shipments of munitions to the warring nations to-day. What would that do to the price of munitions?

Somebody says, "We ship cotton." We will go ahead and continue to ship cotton, but, as Col. Williams and everybody who has appeared before this committee has told you, futures and spots are so closely interwoven that one affects the other, and you can not get away from that proposition.

I do not know anything about these charts. I never was a chart maker, and I presume you have discovered by this time that I am not a man of very much education, from the way I talk, but I have had a good deal of practical experience.

Just a little joke, if you please. I knew a man one time who decided he was going to go into the cotton-futures business; that was a good many years ago. So for three years he sat on a cotton exchange in Texas, which was just a bureau of information. He made a chart, upon which he had little lines running across, each line representing a point, and as the market would rise or fall he marked his chart accordingly. He kept doing that for three years. He said Confucius—I believe it was—said, "Learn the past and you will know the future." It took him three years to learn the past with the aid of those charts. He came out with his charts all prepared and went to speculating in cotton and lost every cent he had in 30 days.

Charts are all right, but I can not see, under the abnormal conditions that exist at this time in Europe, how we can even approximate what might be the case if the conditions did not exist. There is no man to-day who can approximate what might be secured for cotton if it could go through to the central powers at this time.

My individual opinion is that it would be bringing from 20 to 25 cents. I do not know. Others differ from me. We had a short crop last year. Prices ought to be very much higher than they are at this time.

With reference to forcing England to adopt our grades: It was my pleasure in 1907 to attend the international cotton congress at Vienna, Austria, and there I met many of the spinners of Europe. I was sent there by the farmers' union. Somebody brought out here the expression—I believe it was Mr. Glenny—"c. i. f. 6," as it is sometimes called. We know there has been in a measure an abuse along that line. I introduced a resolution in that congress providing for the deduction of actual tare. That resolution was adopted unanimously by the spinners, and every nation on earth engaged in spinning cotton was represented at that conference. A committee was appointed to take the matter up with the cotton exchanges of Europe and to make a report. That report was never made, and never will be.

Senator SMITH of South Carolina. No.

Mr. CALVIN. That would have been a good thing for the American farmers. There is no question about that. I believe that Mr. Glenny, a practical cotton man, who knows more about things like that than I do, will verify the statement that there is an immense loss to the cottom farmers because of this arbitrary deduction of tare.

How can we undertake to coerce Great Britain into adopting our methods? You take section 11A; Mr. Brand said that we do not propose to coerce them, and yet before he gets through he said that by putting in section 11A it will force them to adopt our ideas of standards and grades. If that is not coercion I do not know what to call it; and the man who believes that the English people can be coerced had better review some of the notes going forward in regard to commerce.

Senator SMITH of South Carolina. Benevolent assimilation.

Senator SMITH of Georgia. I have not seen any effort to coerce, Mr. Calvin. It is a fact that we believe that Great Britain can not be coerced; that they are not going to be coerced into this, and we do believe that under the law as it now is and as it is proposed to be amended, that the producers of this country will be at a fearful disadvantage, and we hope, gentlemen of the committee, that you will see fit to eliminate those two sections, and give us the bill as it is—because it is a good bill—and I believe this, that the farmers of the South will practically unanimously indorse your actions and your efforts. I believe that with all my heart, because I know my own State, and I know Oklahoma—because half of the population of Oklahoma is made up of Texans.

The CHAIRMAN. We wish there were more of them.

Mr. CALVIN. If they all could be as successful as you have been, they would, no doubt, want to be.

The CHAIRMAN. Do you know whether the five evils that formerly characterized the transactions on our exchange before this bill passed exist on Liverpool and other foreign exchanges?

Mr. CALVIN. Do you mean how closely they approximate to our——

The CHAIRMAN. The five evils that formerly characterized transactions on our exchanges and were injurious to farmers—do you know whether the same evils are practiced in the foreign exchanges or not?

Mr. CALVIN. I have understood that they have not been practiced to anything like the extent they have been in this country. I have never been an exporter of cotton, and I could not tell you that. But, when I was in Vienna, Austria, the spinners throughout Europe were bitterly fighting the New York Cotton Exchange—not the exchange as such, but its practices. They frankly said at all times that there were no such practices in the foreign cotton exchanges. I have never made a personal investigation of that question.

The CHAIRMAN. I think you are entirely right when you state nobody could tell what had happened, if what had happened had not happened.

Mr. CALVIN. That is always true.

The CHAIRMAN. Your idea is that we ought to eliminate sections 11 and 11A and see what happens?

Mr. CALVIN. Yes, sir; and then our legislation for the future can be formulated accordingly.

I will say this, Senator, from my experience with the English, and doubtless you Senators know from your experience with them, that they can be led much easier than coerced, and I believe that if this matter is taken up with them in the proper spirit much can be accomplished. They are very nearly, as Mr. Brand stated, to our ideas

of contract and our ideas of standards now, and why could we not lead them along just little bit further, and finally get them to adopt our ideas? But if we put section 11A in this law and say to them, "It does not matter whether you are a member of the cotton exchange or not, if you live in Great Britain, sir, you can not buy or sell cotton in the United States, because your Liverpool Cotton Exchange has refused to recognize our standards. Do you think that is right? As a matter of right and wrong, do you think it is right? Not all American cotton dealers are members of cotton exchanges, yet they deal in cotton.

I thank you all most sincerely for the attention accorded me, and I want to say this, that I am voicing the sentiment of the farmers of the entire South before your committee to-day, because there has not been an expression come to me in the last four or five months antagonistic to the views I am expressing here at this time, and I know in Texas there have been several hundred county and local unions which have passed resolutions asking Congress to cut out these two sections.

Col. WILLIAMS. Just one word. Two-thirds of our cotton is marketed abroad. Would it not be well for us to adopt their contracts and measures, instead of compelling them to adopt ours?

Senator SMITH of Georgia. Two-thirds of our cotton is not marketed abroad now. We are using up 7,000,000 bales in the United States.

Col. WILLIAMS. I believe we are this year.

Senator SMITH of Georgia. I said "now."

Mr. GLENNY. There is just one point I want to get in; and that is in order to clear the record.

Mr. Brand said one thing, that the amount of cotton raised outside of the United States was insignificant. I think those were his words.

The CHAIRMAN. He said the amount available now.

Senator SMITH of Georgia. No.

Mr. BRAND. If I may straighten that out, I said the world's crop was 27,000,000, and the American crop less than 12,000,000 bales, so I certainly did not make the statement.

The CHAIRMAN. I think it was qualified. I understood it was the amount available.

Mr. GLENNY. I could show that this hedging would be detrimental, particularly during the market stage.

Senator SMITH of Georgia. You have said something now in favor of sections 11 and 11A, if the hedging is detrimental.

Mr. GLENNY. The hedging as forced by this bill, without the benefit of the man who wants the buyer "pulling," as you expressed it. The buyer "pulling" would not exist.

The CHAIRMAN. The Secretary of Agriculture has submitted memoranda of changes which he recommends in the cotton-futures amendment. I desire to incorporate his suggestions in the record at this point.

(The matter referred to is here printed as follows:)

Changes suggested by the Secretary of Agriculture, Hon. David F. Houston, in the cotton-futures amendment to the Agriculture appropriation bill:

Page 79, lines 20 and 21, strike out the words "quality, or the grade, or the length of staple," and substitute the word "classification."

Page 79, line 22, after the word "question" insert "of the true classification of said cotton."

Page 80, lines 18 and 19, strike out the words "quality or grade or length of staple" and substitute therefor the word "classification."

NOTE.—These changes on pages 79 and 80 have a single purpose. Experience has demonstrated that they are required for the sake of greater efficiency in carrying out the purposes of the act and are in the interest of the parties to the disputes referred to the Secretary of Agriculture. Under the United States cotton futures act as it now stands, any question of grade or staple or quality may separately be referred to the Secretary of Agriculture. Upon examination of the samples submitted during the past 15 months, the department found, in more than 10 per cent of the disputes determined, either (1) that certain of the cotton involved was undeliverable on the contract in fulfillment of which it was tendered, solely for a cause or causes not specified by either party to the dispute, and not referred to the department for determination, and, therefore, the fact of undeliverability could not be shown in the formal findings, or (2) that some of the bales had previously been involved in other disputes, in which different questions were referred for determination.

If these suggestions be adopted, the Secretary of Agriculture will be enabled to include in his findings in any dispute, even though only one question be referred, a complete classification of the cotton for the purpose of delivery on future contracts, and thus the findings will be more serviceable and the second reference of disputes involving the same cotton will practically be avoided.

Page 85, line 8, strike out the period and add "subject to reasonable variations therefrom, which shall be fixed in rules and regulations prescribed by the Secretary of Agriculture."

NOTE.—The experience of the department has shown that, while transactions of the kind contemplated by section 10 of the United States cotton-futures act are not customarily entered into on the floor of cotton-futures exchanges, it is possible, at any time, that they will be. The form of contract as now prescribed in section 10 however, permits the delivery only of the exact cotton described in the contract and no other, without any possibility of allowance for variations which ordinarily occur even in the most honest and careful grading of cotton. It is, therefore, not such a contract as persons engaged in the cotton trade care to use. The change is suggested in order to make possible, as a practical matter, trading on the floor of future exchanges in this form of contract, without liability to tax under the act.

Senator SHAFROTH. Are the hearings closed?

The CHAIRMAN. So far as the cotton-futures act is concerned, the hearings are adjourned sine die.

(The committee thereupon adjourned subject to the call of the chairman.)

COTTON FUTURES ACT

EXTRACT FROM PUBLIC 190, SIXTY-FOURTH CONGRESS
AGRICULTURAL APPROPRIATION ACT
APPROVED AUGUST 11, 1916

PART A

Part A.

That this Part, to be known as the United States cotton futures Act, be, and hereby is, enacted to read and be effective hereafter as follows:

"That this Act shall be known by the short title of the 'United States cotton futures Act.'

"Sec. 2. That, for the purposes of this Act, the term 'contract of sale' shall be held to include sales, agreements of sale, and agreements to sell. That the word 'person,' wherever used in this Act, shall be construed to import the plural or singular, as the case demands, and shall include individuals, associations, partnerships, and corporations. When construing and enforcing the provisions of this Act, the act, omission, or failure of any official, agent, or other person acting for or employed by any association, partnership, or corporation within the scope of his employment or office, shall, in every case, also be deemed the act, omission, or failure of such association, partnership, or corporation as well as that of the person.

"Sec. 3. That upon each contract of sale of any cotton for future delivery made at, on, or in any exchange, board of trade, or similar institution or place of business, there is hereby levied a tax in the nature of an excise of 2 cents for each pound of the cotton involved in any such contract.

"Sec. 4. That each contract of sale of cotton for future delivery mentioned in section three of this Act shall be in writing plainly stating, or evidenced by written memorandum showing, the terms of such contract, including the quantity of the cotton involved and the names and addresses of the seller and buyer in such contract, and shall be signed by the party to be charged, or by his agent in his behalf. If the contract or memorandum specify in bales the quantity of the cotton involved, without giving the weight, each bale shall, for the purposes of this Act, be deemed to weigh five hundred pounds.

"Sec. 5. That no tax shall be levied under this Act on any contract of sale mentioned in section three hereof if the contract comply with each of the following conditions:

"First. Conform to the requirements of section four of, and the rules and regulations made pursuant to, this Act.

"Second. Specify the basis grade for the cotton involved in the contract, which shall be one of the grades for which standards are established by the Secretary of Agriculture, except grades prohibited from being delivered on a contract made under this section by the fifth subdivision of this section, the price per pound at which the cotton of such basis grade is contracted to be bought or sold, the date when the purchase or sale was made, and the month or months in which the contract is to be fulfilled or settled: *Provided*, That middling shall be deemed the basis grade incorporated into the contract if no other basis grade be specified either in the contract or in the memorandum evidencing the same.

"Third. Provide that the cotton dealt with therein or delivered thereunder shall be of or within the grades for which standards are established by the Secretary of Agriculture except grades prohibited from being delivered on a contract made under this section by the fifth subdivision of this section and no other grade or grades.

"Fourth. Provide that in case cotton of grade other than the basis grade be tendered or delivered in settlement of such contract, the differences above or below the contract price which the receiver shall pay for such grades other than the basis grade shall be the actual commercial differences, determined as hereinafter provided.

"Fifth. Provide that cotton that, because of the presence of extraneous matter of any character or irregularities or defects, is reduced in value below that of Good Ordinary, or cotton that is below the grade of Good Ordinary, or, if tinged, cotton that is below the grade of Low Middling, or, if stained, cotton that is below the grade of Middling, the grades mentioned being of the official cotton standards of the United States, or cotton that is less than seven-eighths of an inch in length of staple, or cotton of perished staple or of immature staple, or cotton that is 'gin cut' or reginned, or cotton that is 'repacked' or 'false packed' or 'mixed packed' or 'water packed,' shall not be delivered on, under, or in settlement of such contract.

"Sixth. Provide that all tenders of cotton under such contract shall be the full number of bales involved therein, except that such variations of the number of bales may be permitted as is necessary to bring the total weight of the cotton tendered within the provisions of the contract as to weight; that, on the fifth business day prior to delivery, the person making the tender shall give to the person receiving the same written notice of the date of delivery, and that, on or prior to the date so fixed for delivery, and in advance of final settlement of the contract, the person making the tender shall furnish to the person receiving the same a written notice or certificate stating the grade of each individual bale to be delivered and, by means of marks or numbers, identifying each bale with its grade.

"Seventh. Provide that, in case a dispute arises between the person making the tender and the person receiving the same, as to the classification of any cotton tendered under the contract, either party may refer the question of the true classification of said cotton to the Secretary of Agriculture for determination, and that such dispute shall be referred and determined, and the costs thereof fixed, assessed, collected, and paid in such manner and in accordance with such rules and regulations as may be prescribed by the Secretary of Agriculture.

"The provisions of the third, fourth, fifth, sixth, and seventh subdivisions of this section shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the memorandum evidencing the same, at or prior to the time the same is signed, the phrase 'Subject to United States cotton futures Act, section five.'

"The Secretary of Agriculture is authorized to prescribe rules and regulations for carrying out the purposes of the seventh subdivision of this section, and his findings, upon any dispute referred to him under said seventh subdivision, made after the parties in interest have had an opportunity to be heard by him or such officer, officers, agent, or agents of the Department of Agriculture as he may designate, shall be accepted in the courts of the United States in all suits

between such parties, or their privies, as prima facie evidence of the true classification of the cotton involved.

"SEC. 6. That for the purposes of section five of this Act the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basis grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value thereof upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section five, for the delivery of cotton on the contract, established by the sale of spot cotton in the market where the future transaction involved occurs and is consummated if such market be a bona fide spot market; and in the event there be no bona fide spot market at or in the place in which such future transaction occurs, then, and in that case, the said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value thereof, upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section five, for the delivery of cotton on the contract, in the spot markets of not less than five places designated for the purpose from time to time by the Secretary of Agriculture, as such values were established by the sales of spot cotton, in such designated five or more markets: *Provided*, That for the purposes of this section such values in the said spot markets be based upon the standards for grades of cotton established by the Secretary of Agriculture: *And provided further*, That whenever the value of one grade is to be determined from the sale or sales of spot cotton of another grade or grades, such value shall be fixed in accordance with rules and regulations which shall be prescribed for the purpose by the Secretary of Agriculture.

"SEC. 6A. That no tax shall be levied under this Act on any contract of sale mentioned in section three hereof if the contract provide that, in case cotton of grade or grades other than the basis grade specified in the contract shall be tendered in performance of the contract, the parties to such contract may agree, at the time of the tender, as to the price of the grade or grades so tendered, and that if they shall not then agree as to such price, then, and in that event, the buyer of said contract shall have the right to demand the specific fulfillment of such contract by the actual delivery of cotton of the basis grade named therein and at the price specified for such basis grade in said contract, and if the contract also comply with all the terms and conditions of section five hereof not inconsistent with this section: *Provided*, That nothing in this section shall be so construed as to relieve from the tax levied by section three of this Act any contract in which, or in the settlement of or in respect to which, any device or arrangement whatever is resorted to, or any agreement is made, for the determination or adjustment of the price of the grade or grades tendered other than the basis grade specified in the contract by any 'fixed difference' system, or by arbitration, or by any other method not provided for by this Act.

"Contracts made in compliance with this section shall be known as 'Section six A Contracts.' The provisions of this section shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the memorandum evidencing the same, at or

prior to the time the same is signed, the phrase 'Subject to United States cotton futures Act, section six A.'

"Section ten of this Act shall not be construed to apply to any contract of sale made in compliance with section six A hereof.

"SEC. 7. That for the purposes of this Act the only markets which shall be considered bona fide spot markets shall be those which the Secretary of Agriculture shall, from time to time, after investigation, determine and designate to be such, and of which he shall give public notice.

"SEC. 8. That in determining, pursuant to the provisions of this Act, what markets are bona fide spot markets, the Secretary of Agriculture is directed to consider only markets in which spot cotton is sold in such volume and under such conditions as customarily to reflect accurately the value of middling cotton and the differences between the prices or values of middling cotton and of other grades of cotton for which standards shall have been established by the Secretary of Agriculture: *Provided*, That if there be not sufficient places, in the markets of which are made bona fide sales of spot cotton of grades for which standards are established by the Secretary of Agriculture, to enable him to designate at least five spot markets in accordance with section six of this Act, he shall, from data as to spot sales collected by him, make rules and regulations for determining the actual commercial differences in the value of spot cotton of the grades established by him as reflected by bona fide sales of spot cotton, of the same or different grades, in the markets selected and designated by him, from time to time, for that purpose, and in that event, differences in value of cotton of various grades involved in contracts made pursuant to section five of this Act shall be determined in compliance with such rules and regulations.

"SEC. 9. That the Secretary of Agriculture is authorized, from time to time, to establish and promulgate standards of cotton by which its quality or value may be judged or determined, including its grade, length of staple, strength of staple, color, and such other qualities, properties, and conditions as may be standardized in practical form, which, for the purposes of this Act, shall be known as the 'Official cotton standards of the United States,' and to adopt, change, or replace the standard for any grade of cotton established under the Act making appropriations for the Department of Agriculture for the fiscal year ending June thirtieth, nineteen hundred and nine (Thirty-fifth Statutes at Large, page two hundred and fifty-one), and Acts supplementary thereto: *Provided*, That any standard of any cotton established and promulgated under this Act by the Secretary of Agriculture shall not be changed or replaced within a period less than one year from and after the date of the promulgation thereof by the Secretary of Agriculture: *Provided further*, That, subsequent to six months after the date section three of this Act becomes effective, no change or replacement of any standard of any cotton established and promulgated under this Act by the Secretary of Agriculture shall become effective until after one year's public notice thereof, which notice shall specify the date when the same is to become effective. The Secretary of Agriculture is authorized and directed to prepare practical forms of the official cotton standards which shall be established by him, and to furnish such practical forms from time to time, upon request, to any person, the cost thereof,

as determined by the Secretary of Agriculture, to be paid by the person requesting the same, and to certify such practical forms under the seal of the Department of Agriculture and under the signature of the said Secretary, thereto affixed by himself or by some official or employee of the Department of Agriculture thereunto duly authorized by the said Secretary.

"SEC. 10. That no tax shall be levied under this Act on any contract of sale mentioned in section three hereof, if the contract comply with each of the following conditions:

"First. Conform to the rules and regulations made pursuant to this Act.

"Second. Specify the grade, type, sample, or description of the cotton involved in the contract, the price per pound at which such cotton is contracted to be bought or sold, the date of the purchase or sale, and the time when shipment or delivery of such cotton is to be made.

"Third. Provide that cotton of or within the grade or of the type, or according to the sample or description, specified in the contract shall be delivered thereunder, and that no cotton which does not conform to the type, sample, or description, or which is not of or within the grade specified in the contract shall be tendered or delivered thereunder.

"Fourth. Provide that the delivery of cotton under the contract shall not be effected by means of 'set-off' or 'ring' settlement, but only by the actual transfer of the specified cotton mentioned in the contract.

"The provisions of the first, third, and fourth subdivisions of this section shall be deemed fully incorporated into any such contract if there be written or printed thereon, or on the document or memorandum evidencing the same, at or prior to the time the same is entered into, the words 'Subject to United States cotton futures act, section ten.'

"This Act shall not be construed to impose a tax on any sale of spot cotton.

"This section shall not be construed to apply to any contract of sale made in compliance with section five of this Act.

"SEC. 11. That the tax imposed by section three of this Act shall be paid by the seller of the cotton involved in the contract of sale, by means of stamps which shall be affixed to such contracts, or to the memoranda evidencing the same, and canceled in compliance with rules and regulations which shall be prescribed by the Secretary of the Treasury.

"SEC. 12. That no contract of sale of cotton for future delivery mentioned in section three of this Act which does not conform to the requirements of section four hereof and has not the necessary stamps affixed thereto as required by section eleven hereof shall be enforceable in any court of the United States by, or on behalf of, any party to such contract or his privies.

"SEC. 13. That the Secretary of the Treasury is authorized to make and promulgate such rules and regulations as he may deem necessary to collect the tax imposed by this Act and otherwise to enforce its provisions. Further to effect this purpose, he shall require all persons coming within its provisions to keep such records and state-

ments of account, and may require such persons to make such returns verified under oath or otherwise, as will fully and correctly disclose all transactions mentioned in section three of this Act, including the making, execution, settlement, and fulfillment thereof; he may require all persons who act in the capacity of a clearing house, clearing association, or similar institution for the purpose of clearing, settling, or adjusting transactions mentioned in section three of this Act to keep such records and to make such returns as will fully and correctly disclose all facts in their possession relating to such transactions; and he may appoint agents to conduct the inspection necessary to collect said tax and otherwise to enforce this Act and all rules and regulations made by him in pursuance hereof, and may fix the compensation of such agents. The provisions of the internal-revenue laws of the United States, so far as applicable, including sections thirty-one hundred and seventy-three, thirty-one hundred and seventy-four, and thirty-one hundred and seventy-five of the Revised Statutes, as amended, are hereby extended, and made to apply, to this Act.

"SEC. 14. That any person liable to the payment of any tax imposed by this Act who fails to pay, or evades or attempts to evade the payment of such tax, and any person who otherwise violates any provision of this Act, or any rule or regulation made in pursuance hereof, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be fined not less than $100 nor more than $20,000, in the discretion of the court; and, in case of natural persons, may, in addition, be punished by imprisonment for not less than sixty days nor more than three years, in the discretion of the court.

"SEC. 15. That in addition to the foregoing punishment there is hereby imposed, on account of each violation of this Act, a penalty of $2,000, to be recovered in an action founded on this Act in the name of the United States as plaintiff, and when so recovered one-half of said amount shall be paid over to the person giving the information upon which such recovery was based. It shall be the duty of United States attorneys, to whom satisfactory evidence of violations of this Act is furnished, to institute and prosecute actions for the recovery of the penalties prescribed by this section.

"SEC. 16. That no person whose evidence is deemed material by the officer prosecuting on behalf of the United States in any case brought under any provision of this Act shall withhold his testimony because of complicity by him in any violation of this Act or of any regulation made pursuant to this Act, but any such person called by such officer who testifies in such case shall be exempt from prosecution for any offense to which his testimony relates.

"SEC. 17. That the payment of any tax levied by this Act shall not exempt any person from any penalty or punishment now or hereafter provided by the laws of any State for entering into contracts of sale of cotton for future delivery, nor shall the payment of any tax imposed by this Act be held to prohibit any State or municipality from imposing a tax on the same transaction.

"SEC. 18. That there is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June thirtieth, nineteen hundred and sixteen, the unexpended balance of the sum appropriated by the Act of March fourth, nineteen hun-

dred and fifteen (Thirty-eighth Statutes at Large, page one thousand and seventeen), for 'collecting the cotton futures tax,' or so much thereof as may be necessary, to enable the Secretary of the Treasury to carry out the provisions of this Act and any duties remaining to be performed by him under the United States cotton futures Act of August eighteenth, nineteen hundred and fourteen (Thirty-eight Statutes at Large, page six hundred and ninety-three).

"SEC. 19. That there are hereby appropriated out of any moneys in the Treasury not otherwise appropriated, available until expended, the unexpended balance of the sum of $150,000 appropriated by section twenty of the said Act of August eighteenth, nineteen hundred and fourteen, and for the fiscal year ending June thirtieth, nineteen hundred and sixteen, the unexpended balance of the sum of $75,000 appropriated for the 'Enforcement of the United States cotton futures Act' by the Act making appropriations for the Department of Agriculture for the fiscal year ending June thirtieth, nineteen hundred and sixteen (Thirty-eighth Statutes at Large, page one thousand and eighty-six), or so much of each of said unexpended balances as may be necessary, to be used by the Secretary of Agriculture for the same purposes, in carrying out the provisions of this Act, as those for which said sums, respectively, were originally appropriated, and to enable the Secretary of Agriculture to carry out any duties remaining to be performed by him under the said Act of August eighteenth, nineteen hundred and fourteen. The Secretary of Agriculture is hereby directed to publish from time to time the results of investigations made in pursuance of this Act. All sums collected by the Secretary of Agriculture as costs under section five, or for furnishing practical forms under section nine, of this Act, shall be deposited and covered into the Treasury as miscellaneous receipts.

"SEC. 20. That sections nine, eighteen, and nineteen of this Act and all provisions of this Act authorizing rules and regulations to be prescribed shall be effective immediately. All other sections of this Act shall become and be effective on and after the first day of the calendar month next succeeding the date of the passage of this Act: *Provided*, That nothing in this Act shall be construed to apply to any contract of sale of any cotton for future delivery mentioned in section three of this Act which shall have been made prior to the first day of the calendar month next succeeding the date of the passage of this Act.

"SEC. 21. That the Act entitled 'An Act to tax the privilege of dealing on exchanges, boards of trade, and similar places in contracts of sale of cotton for future delivery, and for other purposes,' approved August eighteenth, nineteen hundred and fourteen (Thirty-eighth Statutes at Large, page six hundred and ninety-three), is hereby repealed, effective on and after the first day of the calendar month next succeeding the date of the passage of this Act: *Provided*, That nothing in this Act shall be construed to affect any right or privilege accrued, any penalty or liability incurred, or any proceeding commenced under said Act of August eighteenth, nineteen hundred and fourteen, or to diminish any authority conferred by said Act on any official of the United States necessary to enable him to carry out any duties remaining to be performed by him under the

said Act, or to impair the effect of the findings of the Secretary of Agriculture upon any dispute referred to him under said Act, or to affect any right in respect to, or arising out of, any contract mentioned in section three of said Act, made on or subsequent to February eighteenth, nineteen hundred and fifteen, and prior to the first day of the calendar month next succeeding the date of the passage of this Act, but so far as concerns any such contract said Act of August eighteenth, nineteen hundred and fourteen, shall remain in force with the same effect as if this Act had not been passed.

"SEC. 22. That if any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered."